ClearStream

First Quarter Report ***2017***

Helping Customers
Bring Resources to Our World

CLEARSTREAM ENERGY SERVICES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTER ENDED MARCH 31, 2017

DEAR SHAREHOLDERS

ClearStream's business continued to improve during the first quarter of 2017. Revenue increased by 13% and adjusted EBITDAS increased by $1.6 million or 389% compared to the first quarter of 2016. Customer demand drove a portion of the revenue improvement as an increase in oil and gas prices has led to improved customer sentiment in 2017 versus 2016. Many of our customers deferred maintenance spending in 2016 in response to very challenging market conditions, and with commodity price improvements, our customers have shown a willingness to increase critical maintenance spending in 2017.

ClearStream's first quarter financial performance also benefitted from strong operational and business development execution. ClearStream's operational performance remained strong as we continued to focus on the key elements of our service offering including safety, quality, recruiting and cost competitiveness. This performance allowed us to retain all existing customers and add new customers during the quarter. We began operations in Saskatchewan during the first quarter of 2017 and added new customers in the fertilizer, utility, and oil and gas industries. We will continue to invest and focus on business development in 2017 as sales volume will play a critical role in maintaining profitability in a low-cost and low-profit margin environment.

Although market conditions have shown signs of improvement, ClearStream continues to operate in a very competitive and challenging operating environment. Price reductions were granted to customers throughout 2016 to protect market share and add new customers and as a result, profit margins are low and are expected to remain so throughout 2017. However, significant cost reduction initiatives that were executed in 2015 and 2016 are expected to benefit ClearStream in 2017. In the first quarter of 2017, fixed costs, which include indirect costs of sales and SG&A, were down 24% compared to the same period in 2016. We will continue to focus on keeping a lean cost structure to remain price competitive and maximize profit margins in the current operating environment.

We look forward to continued improvements in financial results during the second quarter when maintenance demand is typically strong during the facility turnaround season in Canada. With the hard work and dedication of our people, support of our customers and focus on top-tier operational execution, we are confident that 2017 will be a year of growth for ClearStream.

Thank you for your continued support.

John W. Cooper

Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 3, 2017

The following is management's discussion and analysis ("MD&A") of the interim results of operations and balance sheet of ClearStream Energy Services Inc. ("ClearStream" or the "Company") for the three months ended March 31, 2017. This MD&A should be read in conjunction with ClearStream's condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2017 and 2016 (the "Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2016 and 2015 (the "Annual Financial Statements).

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The Interim Financial Statements 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 May 3, 2017 and is current to that date unless otherwise indicated.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Interim Financial Statements have been prepared in accordance with IASB 34.

This MD&A makes reference to certain measures that are not defined in IFRS and contains forward-looking information. These measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-Standard Measures" on page 4.

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 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 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.

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,” in the company’s 2016 Annual Information Form dated March 6, 2017, 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 its consolidated financial statements and MD&A.

Adjusted EBITDAS refers to EBITDAS excluding income from equity investments, the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring costs, and gain 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 its 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.

First Quarter 2017 Performance

Summary Results ($000's)

Three months ended March 31,	2017	2016
Revenues	77,689	68,640
Cost of revenues - direct	(66,740)	(56,477)
Cost of revenues - indirect	(4,409)	(6,847)
Gross profit	6,540	5,316
Selling, general and administrative expenses	(4,528)	(4,952)
Stock based compensation	(309)	-
Amortization expense	(863)	(901)
Depreciation expense	(1,231)	(1,548)
Income (loss) from equity investments	37	56
Loss from long-term investments	-	(291)
Interest expense	(5,032)	(6,241)
Gain on sale of assets held for sale	123	1,114
Restructuring costs	(277)	-
Impairment of goodwill and intangible assets	-	(8,700)
Gain on sale of property, plant and equipment	1,917	55
Net loss from continuing operations	(3,623)	(16,092)
Add:		
Amortization	863	901
Depreciation	1,231	1,548
Stock based compensation	309	-
Interest expense	5,032	6,241
EBITDAS	3,812	(7,402)
Loss from long-term investments	-	291
Gain on sale of assets held for sale	(123)	(1,114)
Restructuring costs	277	-
Impairment of goodwill and intangible assets	-	8,700
Gain on sale of property, plant and equipment	(1,917)	(56)
Adjusted EBITDAS	2,049	419

Selected Balance Sheet Accounts		
As at	March 31, 2017	December 31, 2016
Total assets	$ 132,784	$ 134,842
ABL facility	5,750	3,500
Senior secured debentures	171,712	171,642
Convertible secured debentures	24,514	24,397
Shareholders' deficit	(107,301)	(103,514)

First Quarter 2017 results

Revenues for the three months ended March 31, 2017 were $77,689 compared to $68,640 for the same period in 2016, an increase of 13.2%. Demand for ClearStream's services increased for both reportable segments due largely to higher oil and gas prices and increased revenue from new customers.

Gross profit for the three months ended March 31, 2017 was $6,540 compared to $5,316 for the same period in 2016 and gross margins were 8.4% compared to 7.7% for the same period in 2016. Gross margins improved on a year-over-year basis as cost cutting initiatives executed in 2016 led to reductions in fixed indirect costs. The impact on gross margins due to reductions in indirect costs was partially offset by an increase in direct costs as a percentage of sales due to declines in pricing.

Selling, general and administrative ("SG&A") costs for the three months ended March 31, 2017 were $4,528 compared to $4,952 in 2016. The 9% decrease reflects cost cutting initiatives that were implemented in 2016, the largest being headcount reductions.

For the three months ended March 31, 2017, adjusted EBITDAS was $2,049 compared to $419 for the same period in 2016. The increase in adjusted EBITDAS was due to the increase in gross profit combined with the decline in SG&A costs.

Depreciation and amortization expense was $2,094 for the three months ended March 31, 2017 compared to $2,449 for 2016 due to a decrease in the depreciable asset base.

For the three months ended March 31, 2017, interest costs, excluding accretion expense, were $4,845 compared to $4,324 for the same period in 2016. The change in interest expense relates to the net impact of debt restructuring initiatives that were completed during the first quarter of 2016. Non-cash accretion expense was $187 compared to $1,917 during the same period in 2016. Accretion expense relates to the 8.00% secured debentures, senior secured debentures, and convertible secured debentures, which were recorded net of transaction costs, and accrete up to their face value using the effective interest method over the term of the debentures. The higher accretion expense in 2016 was due to the 8.00% secured debentures maturing on March 23, 2016.

The net loss from continuing operations was $3,623 for the three months ended March 31, 2017, compared to net loss from continuing operations of $16,092 compared to the same period in 2016.

Segment Operating Results

Maintenance and Construction Services

Three months ended March 31,	2017	2016[1]
Revenues	$ 59,208	$ 54,651
Cost of revenues - direct	(54,343)	(47,559)
Cost of revenues - indirect	(2,427)	(4,100)
Gross profit	2,438	2,992
Selling, general and administrative expenses	(335)	(475)
Amortization expense	(47)	(46)
Depreciation expense	(563)	(694)
Income from equity investments	37	56
Interest expense	(50)	(94)
Gain on sale of property, plant and equipment	1,916	52
Income from continuing operations	$ 3,396	$ 1,791

1 Certain figures in the comparative period have been reclassified to conform to the current period presentation.

Revenues

Revenues for the Maintenance and Construction Services segment were $59,208 for the three months ended March 31, 2017 compared to $54,651 in the prior year quarter, an increase of 8%. Most of ClearStream's maintenance and construction customers operate in the oil and gas sector. The increase in oil and gas prices led to higher demand for our maintenance and construction services during the first quarter compared to the same period in 2016. A new contract award in Saskatchewan with a fertilizer company also contributed to the year-over-year increase.

Gross Profit

Gross profit was $2,438 for the three months ended March 31, 2017 compared with $2,992 for the same period in the prior year. Gross profit margin for the period was 4.1% compared to 5.5% a year ago. Gross profit margins decreased as lower pricing for our services more than offset the impact of reductions to indirect costs. Indirect costs are more fixed in nature and have declined due to cost cutting initiatives that were implemented throughout 2016.

Selling, General and Administrative ("SG&A") Expenses

SG&A costs for the Maintenance and Construction segment decreased by $140 or 29% due to cost cutting initiatives that were implemented throughout 2016 in response to a decline in market conditions.

Other

The gain on sale of property, plant and equipment relates largely to the sale of two non-essential properties that occurred during the first quarter of 2017.

Fabrication, Wear Technology and Transportation Services

Three months ended March 31,	2017	2016
Revenues	$ 18,896	$ 14,670
Cost of revenues - direct	(12,812)	(9,601)
Cost of revenues - indirect	(1,982)	(2,745)
Gross profit	4,102	2,324
Selling, general and administrative expenses	(183)	(196)
Amortization expense	(73)	(82)
Depreciation expense	(587)	(709)
Interest expense	(56)	(109)
Gain on sale of property, plant and equipment	1	5
Income from continuing operations	$ 3,204	$ 1,233

Revenues

Revenues for the Fabrication, Wear Technology and Transportation segment were $18,896 for the three months ended March 31, 2017 compared to $14,670 in the prior year quarter, an increase of 29%. The majority of the customers within this segment are linked to the Alberta oilsands and, given improvements to oil prices and a resulting increase in customer activity, demand from these customers increased during the first quarter of 2017.

Gross Profit

Gross profit was $4,102 for the three months ended March 31, 2017 compared with $2,324 during the same period of the prior year. Gross profit margin for the period was 21.7% compared to 15.8% a year ago. Gross profit margins for the segment increased due to cost cutting reductions that were implemented in 2016 that led to lower indirect costs. Lower indirect costs were partially offset by an increase in direct costs as a percentage of sales caused by pricing reductions. Pricing reductions were deemed necessary to protect ClearStream's market share.

Selling, General and Administrative ("SG&A") Expenses

SG&A costs for the Maintenance and Construction segment decreased by 7% due to cost cutting initiatives that were implemented throughout 2016 in response to a decline in market conditions.

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 costs of ClearStream's corporate function, as well as other corporate overhead expenses.

Three months ended March 31,	2017	2016[1]
Selling, general administrative expenses	$ (4,010)	$ (4,282)
Stock based compensation	(309)	-
Amortization expense	(743)	(772)
Depreciation expense	(81)	(145)
Income from equity investments	-	(235)
Interest expense	(4,926)	(6,038)
Impairment of goodwill and intangible assets	-	(8,700)
Gain from assets held for sale	123	1,114
Restructuring costs	(277)	-
Loss on sale of property, plant and equipment	-	(2)
Loss from continuing operations	$ (10,223)	$ (19,060)

1Certain figures in the comparative period have been reclassified to conform to the current period presentation.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses were $4,010 for the period ended March 31, 2017 compared to $4,282 for the same period in the prior year. The 6% decrease in Corporate SG&A is primarily due to reductions in staffing levels offset partially by higher professional and legal costs primarily related to head office transition costs.

Other

During the first quarter of 2017, ClearStream issued stock based compensation to certain employees of the Company. Total stock based compensation expense recognized during the first quarter of 2017 was $309.

Restructuring costs of $277 were incurred during the first quarter of 2017 relating to head office transition and one-time internal reorganization expenses.

The gain from assets held for sale recognized during the first quarter of 2017 relate to changes in the earn-out assets balances for the Gusgo Transport LP and Titan Supply LP transactions.

Liquidity and Capital Resources

For the period ended March 31, 2017, the Company incurred a net loss of $3,684 and had a shareholders' deficit of $107,198. 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 expects to remain in compliance with all financial covenants over the next twelve months; however, there is a 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.

Cash Flow

The following table summarizes the major consolidated cash flow components:

Three months ended March 31,		2017		2016
Cash (used in) provided by operating activities	$	(11,329)	$	8,123
Cash provided by investing activities		561		7,745
Cash provided by (used in) financing activities		1,245		(31,550)
Consolidated cash	$	1,980	$	8,727

Operating Activities

Cash used in operating activities during the first quarter of 2017 consists largely of the net loss for period combined with an increase in working capital of $8,365. The rise in working capital is consistent with the increase in operating activity caused by the increase in oil gas prices relative to the comparative period.

Investing Activities

Three months ended March 31,		2017		2016
Purchase of property, plant and equipment, net of disposals		(1,322)		(493)
Net proceeds on disposal of properly, plant & equipment		1,932		263
Purchase of software		(49)		(25)
Proceeds on disposition of business		-		8,000
Cash provided by investing activities	$	561	$	7,745

The purchase of the property, plant and equipment during the first quarter of 2017 was primarily related to equipment and tools required to service new and existing maintenance contracts. Proceeds on disposal of property, plant and equipment relates largely to the sale of two non-essential properties during the first quarter of 2017.

Financing Activities

ClearStream repaid $1,005 of capital lease obligations during the first quarter of 2017. In addition, an advance of $2,250 was drawn on the Asset Based Lending ("ABL") facility to fund working capital needs during the first quarter. Most of the cash used in financing activities during the first quarter of 2016 was the net result of the refinancing initiatives that took place in the prior year.

Capital Structure and Sources of Funding

ClearStream will continue to look to reduce its debt leverage. The financing arrangements are designed to ensure that debt balances are reduced as quickly as possible. Consequently, 75% of excess cash flow is required to retire the senior secured debentures.

ClearStream will utilize the ABL Facility to fund working capital requirements, primarily in the second and third quarters of each year. 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, for example the spring and fall shutdown maintenance programs at ClearStream, a higher number of employees are at customer sites, and this increases the need for working capital funding.

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 in the December 31, 2016 consolidated financial statements.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the Company's Annual Financial Statements.

New standards and interpretations not yet adopted

There are no updates to new standards and interpretations not yet adopted. For further discussion, refer to ClearStream's MD&A dated March 6, 2017 for the year ended December 31, 2016.

Summary of Quarterly Results
($000s except unit amounts)

	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Revenues	$ 77,689	$ 72,913	$ 67,773	$ 61,335	$ 68,640	$ 88,956	$ 116,662	$ 118,536
Cost of Revenues - Direct	(66,740)	(59,871)	(55,488)	(50,208)	(56,477)	(73,352)	(91,384)	(96,202)
Cost of Revenues - Indirect	(4,409)	(5,737)	(5,461)	(5,662)	(6,847)	(6,978)	(6,871)	(7,450)
Gross Margin	6,540	7,305	6,824	5,465	5,316	8,626	18,407	14,884
Gross Margin %	8.4%	10.0%	10.1%	8.9%	7.7%	9.7%	15.8%	12.6%
Net (loss) income from continuing operations	(3,314)	(6,829)	(4,625)	(5,391)	(16,092)	(68,859)	3,675	1,510
Net (loss) income	-	(12,858)	(5,339)	(6,716)	(20,817)	(107,848)	(6,350)	(6,274)
Income (loss) per unit from continuing operations	(0.03)	(0.06)	(0.04)	(0.05)	(0.15)	(0.63)	0.03	0.01
Income (loss) per unit	-	(0.12)	(0.05)	(0.06)	(0.19)	(0.98)	(0.06)	(0.06)

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.

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 benefit costs will not be maximized until later in the year.

The gross margin reductions that began in the fourth quarter of are reflective of a decrease in business volumes and price reductions granted to customers as a result of decreased oil and gas prices. In addition, ClearStream's revenue was 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.

Transactions with Related Parties

Ownership

As of March 31, 2017, directors, officers and employees beneficially hold an aggregate of 15,988,338 common shares or 14.5% on a fully diluted basis.

Transactions

Two operating leases for property, with quarterly rents of $78 and $75 are with a landlord in which certain executives of ClearStream hold an indirect minority interest (2016 - $78 and $75). 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, nil preferred shares issued and outstanding, 6,560,000 stock options outstanding, and 4,070,000 performance share units outstanding.

Outlook

Modest improvements to oil and gas prices led to improved industry conditions during the first quarter of 2017. ClearStream expects this trend to continue with increased maintenance and turnaround demand expected in the second quarter of 2017 compared to the same period in 2016. Our customers deferred a significant amount of maintenance spending throughout 2016 given the weak market conditions combined with the impact of the Fort McMurray fires. As a result, spending on critical maintenance and turnaround programs is expected to increase with the improvements in oil and gas prices and overall market conditions. In addition, turnaround demand is typically strong during the second quarter and this is expected to hold true in 2017 and benefit second quarter financial results.

Although maintenance and turnaround demand is expected to improve in 2017, customer project activity is not expected to increase significantly compared to 2016. New infrastructure projects within the western Canadian oil and gas industry are not expected to increase until a substantial increase in commodity prices occurs.

Given the uncertainty of commodity prices and the competitiveness of the oilfield service industry, ClearStream management will continue to focus on cost control, customer retention, process and efficiency improvements, and diversification of our business into new geographies and markets outside of oil and gas.

Risk Factors

There are no updates to ClearStream’s risk factors. For further discussion, refer to ClearStream’s MD&A or AIF dated March 6, 2017 for the year ended December 31, 2016.

Disclosure Controls & Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures

National Instrument 51-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“NI 51-109”), issued by the CSA requires Chief Executive Officers (“CEOs”) and Chief Financial Officers (“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 quarter ended March 31, 2017 with securities regulators, including this MD&A and the accompanying audited consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

Internal control over financial reporting

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 quarter ended March 31, 2017 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

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

CLEARSTREAM ENERGY SERVICES INC.

Condensed Consolidated Interim Financial Statements of

Three Months Ended March 31, 2017 and 2016
(Unaudited)

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(unaudited)

As at	March 31, 2017	December 31, 2016
Cash	$ 1,980	$ 11,503
Restricted cash	980	980
Accounts receivable	54,154	46,928
Inventories	3,808	3,000
Prepaid expenses and other	2,573	2,060
Earn-out assets (note 3)	2,566	1,608
Total current assets	66,061	66,079
Property, plant and equipment, net (note 4)	24,302	24,745
Goodwill and intangible assets	37,274	38,088
Earn-out assets (note 3)	3,380	4,056
Long-term investments	616	579
Deferred financing costs (note 5)	1,151	1,295
Total assets	**$ 132,784**	**$ 134,842**
Accounts payable and accrued liabilities	$ 27,027	$ 26,848
Deferred revenue	158	167
Current portion of obligations under finance leases	3,410	3,902
Provision (note 9)	4,985	4,985
Total current liabilities	35,580	35,902
ABL facility (note 5)	5,750	3,500
Obligations under finance leases	2,529	2,915
Senior secured debentures (note 5)	171,712	171,642
Convertible secured debentures (note 5)	24,514	24,397
Total liabilities	240,085	238,356
Shareholders' deficit	(107,301)	(103,514)
Total liabilities and shareholders' deficit	**$ 132,784**	**$ 134,842**

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

CLEARSTREAM ENERGY SERVICES INC.

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

Three months ended		March 31, 2017		March 31, 2016
Revenue	$	77,689	$	68,640
Cost of revenue		(71,149)		(63,324)
Gross profit		6,540		5,316
Selling, general and administrative expenses (note 6)		(4,528)		(4,952)
Stock based compensation (note 8)		(309)		-
Amortization of intangible assets		(863)		(901)
Depreciation (note 4)		(1,231)		(1,548)
Income (loss) from equity investment		37		(235)
Interest expense		(5,032)		(6,241)
Gain on sale of assets held for sale		123		1,114
Restructuring costs		(277)		-
Impairment of goodwill and intangible assets		-		(8,700)
Gain on sale of property, plant and equipment		1,917		55
Loss from continuing operations		(3,623)		(16,092)
Loss from discontinued operations (net of income taxes) (note 2)		(370)		(4,725)
Net loss and comprehensive loss	$	(3,993)	$	(20,817)
Loss per share (note 7)				
Basic & diluted:				
Continuing operations	$	(0.03)	$	(0.15)
Discontinued operations	$	(0.00)	$	(0.04)
Net loss	$	(0.04)	$	(0.19)

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

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Interim Statements of Shareholders' Deficit
(In thousands of Canadian dollars, except per share amounts)
(unaudited)

	Number of shares	Share Capital	Deficit	Contributed Surplus	Total Shareholders' Deficit
Balance - December 31, 2016	109,941,241	$ 469,030	$ (574,971)	$ 2,427	$ (103,514)
Net loss	-	-	(3,993)	-	(3,993)
Stock based compensation (note 8)	-	-	-	206	206
Balance - March 31, 2017	109,941,241	$ 469,030	$ (578,964)	$ 2,633	$ (107,301)

	Number of shares	Share Capital	Deficit	Contributed Surplus	Total Shareholders' Deficit
Balance - December 31, 2015	109,941,241	$ 461,758	$ (529,241)	$ 2,427	$ (65,056)
Net loss	-	-	(20,817)	-	(20,817)
Equity component of the convertible debentures	-	7,272	-	-	7,272
Balance - March 31, 2016	109,941,241	$ 469,030	$ (550,058)	$ 2,427	$ (78,601)

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

CLEARSTREAM ENERGY SERVICES INC.

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

Three months ended		March 31, 2017		March 31, 2016
Operating activities:				
Net loss for the period	$	(3,993)	$	(20,817)
Loss from discontinued operations (net of income tax)		370		4,725
Items not affecting cash:				
Stock based compensation (note 8)		206		-
Amortization of intangible assets		863		901
Depreciation (note 4)		1,231		1,548
(Income) loss from equity investments		(37)		235
Accretion expense		187		1,917
Amortization of deferred financing costs		144		-
Impairment of goodwill and intangible assets		-		8,700
Gain on sale of assets held for sale		(123)		(1,114)
Gain on sale of property, plant and equipment		(1,917)		(55)
Changes in non-cash working capital		(8,260)		17,000
Advances to discontinued operations		-		(4,680)
Cash used in discontinued operations		-		(237)
Total cash (used in) provided by operating activities	$	(11,329)	$	8,123
Investing activities:				
Purchase of property, plant and equipment (note 4)		(1,322)		(493)
Net proceeds on disposal of property, plant and equipment (note 4)		2,578		263
Purchase of intangible assets		(49)		(25)
Proceeds on the disposition of businesses (note 2)		-		8,000
Changes in non-cash working capital		(646)		-
Total cash provided by investing activities	$	561	$	7,745
Financing activities:				
Decrease in restricted cash		-		3,400
Proceeds from the issuance of the senior secured debentures		-		176,228
Proceeds from the issuance of the convertible secured debentures		-		35,000
Repayment of the senior credit facility		-		(58,735)
Repayment of the 8.00% secured debentures		-		(176,228)
Refinancing fees (ABL facility, senior and convertible secured debentures)		-		(9,925)
Advance on ABL facility		2,250		-
Repayment of obligations under finance leases		(1,005)		(1,290)
Total cash provided by (used in) financing activities	$	1,245	$	(31,550)
(Decrease) increase in cash		(9,523)		(15,682)
Cash, beginning of the period		11,503		24,409
Cash, end of period	$	1,980	$	8,727
Supplemental cash flow information:				
Interest paid		9,101		4,212
Supplemental disclosure of non-cash financing and investing activities:				
Acquisition of property, plant and equipment through finance leases		39		161

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

ClearStream Energy Services Inc. (“ClearStream” or the “Company”) is a corporation formed pursuant to the Business Corporations Act (Ontario). The head office is located in Calgary, Alberta. ClearStream is a fully-integrated provider of midstream production services, which includes maintenance and turnarounds, facilities construction, welding and fabrication, and transportation, with locations across Western Canada.

The consolidated interim financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on May 3, 2017.

The Maintenance and Construction services segment’s revenues and profits are impacted by seasonality. Peak business activity for this segment is typically highest during the second and third quarters when spring and fall facility shutdowns take place.

1. Significant accounting policies

a) Basis of Presentation

These condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Financial Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. The interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2016.

These interim financial statements have been prepared on a historical cost basis and presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

b) Going Concern Uncertainty

The interim financial statements have been prepared on a going concern basis. The going concern basis assumes the Company will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. For the three months ended March 31, 2017, the Company incurred a net loss of $3,993 and had a shareholders’ deficit of $107,301. 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 a 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.

2. **Assets Held for Sale and Discontinued Operations**

On March 7, 2016, ClearStream sold its 80% interest in Gusgo Transport LP ("Gusgo") as well as certain other related subsidiaries for cash proceeds of $4,000, with an additional $2,000 received on May 31, 2016. The sale of Gusgo resulted in an accounting gain of approximately $540 during the three months ended March 31, 2016, recorded in gain from assets held for sale.

On March 23, 2016, ClearStream sold a majority of the net assets of Quantum Murray LP ("Quantum Murray") and Titan Supply LP ("Titan") for cash proceeds of $4,000 and assumption of debt of approximately $3,000, with an additional $4,800 which was received in April 2016.

The sale of Titan's assets resulted in an accounting gain of $574 in the three months ended March 31, 2016, recorded in gain from assets held for sale. The sale of Quantum Murray's assets resulted in an accounting loss of approximately $4,432 for the year ended December 31, 2016, and was recorded in loss from discontinued operations.

During the quarter ended March 31, 2017, the Company incurred a loss on sale of discontinued operations of $370, which reflects continuing costs associated with the disposal of Quantum Murray's assets, net of accretion on the earn-out asset (see Note 3). These costs included legal, consulting and insurance expenses.

The following table shows the revenue and net loss from discontinued operations for the three months ended March 31, 2017 and March 31, 2016:

Three months ended March 31,	2017	2016
Revenue	$ -	$ 29,179
Expenses	-	(30,700)
Loss before taxes	-	(1,521)
Loss on sale of discontinued operations	(370)	(3,204)
Net loss from discontinued operations	$ (370)	$ (4,725)

3. Earn-out assets

a) Gusgo earn-out

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

Fair value of Gusgo earn-out		
Upon disposition	$	1,340
Accretion		172
As at December 31, 2016	$	1,512
Accretion		62
As at March 31, 2017	$	1,574

Of the fair value of $1,574 at March 31, 2017, approximately $443 is recorded as current earn-out assets with the remaining $1,131 recorded as non-current. The accretion is recorded as gain on sale of assets held for sale.

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 (note 2), ClearStream is entitled to an earn-out of approximately $6,200 if certain pre-determined free cash flow targets are achieved for the years ended March 31, 2017, 2018, and 2019. The fair value of this earn-out at March 31, 2017 was calculated using a discounted cash flow model assuming that the required free cash flow targets will be achieved. The free-cash flow forecast used to calculate the 2018 and 2019 portion of the Quantum Murray and Titan earn-outs are discounted at a rate of 30%.

Fair value of Quantum Murray and Titan earn-out		
Upon disposition	$	4,240
Accretion		544
Change in estimates		(628)
As at December 31, 2016	$	4,156
Accretion		216
As at March 31, 2017	$	4,372

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

As at March 31, 2017, the present value of this earn-out is approximately $4,372, the current portion of which is $2,123 and the remainder of $2,249 is recorded as non-current. The accretion and change in estimates for Titan earn-out of $61 are recorded in gain on sale of assets held for sale. The accretion and change in estimates for Quantum Murray earn-out of $155 are recorded in loss from discontinued operations.

As of the issue date of these interim condensed consolidated financial statements, ClearStream has not received the final earn-out calculation from Quantum Murray and Titan for the year ended March 31, 2017.

4. Property, plant and equipment

During the three months ended March 31, 2017, the Company acquired assets with a cost of $1,449, including equipment under finance leases of $124 (March 31, 2016 - $654, including equipment under finance leases of $161).

Cost as at January 1, 2017	$	81,918
Additions		1,449
Disposals		(1,759)
Cost as at March 31, 2017	$	81,608
Accumulated depreciation as at January 1, 2017	$	(57,173)
Depreciation		(1,231)
Disposals		1,098
Accumulated depreciation as at March 31, 2017	$	(57,306)
Net book value, January 1, 2017	$	24,745
Net book value, March 31, 2017	$	24,302

a) Collateral:

As at March 31, 2017, property, plant and equipment included $13,166 that was subject to a general security agreement under the senior secured debentures and the convertible secured debentures (December 31, 2016 - $13,202).

5. ABL facility and debentures

a) ABL Facility

The ABL Facility is a revolving facility providing for maximum borrowings of up to $60,000 and carries a term of three years. The amount available to be drawn under the ABL Facility will vary from time to time, based upon a borrowing base determined with reference to the accounts receivable of the Company. The ABL borrowing base as at March 31, 2017 is $19,095. 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 ABL Facility is prime plus 2.5%, increasing to prime plus 4% if the ABL Facility is more than 50% drawn.

As at March 31, 2017, $5,750 (December 31, 2016 - $3,500) was drawn on the ABL Facility. The Company incurred $1,727 in deferred financing fees associated with the ABL Facility. These costs are being amortized over the term of the facility. As at March 31, 2017, the net unamortized amount of deferred financing costs was $1,151.

As at March 31, 2017, ClearStream was in compliance with its financial covenants under the ABL Facility. The financial covenants applicable under the ABL Facility are as follows:

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

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)

b) Senior Secured Debentures

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 secure 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. These costs are recorded net of the principal balance of the Senior Secured Debenture and will be accreted over the term of Senior Secured Debentures.

As at	March 31, 2017	December 31, 2016
Principal balance of senior secured debentures	$ 176,288	$ 176,288
Deferred financing fees, net of accumulated amortization	(4,576)	(4,646)
Senior secured debentures	$ 171,712	$ 171,642

c) Convertible Secured Debentures

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. 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.

Debenture issue costs of $861 were allocated to the equity component.

Liability component of convertible secured debentures		
As at March 23, 2016	$	24,024
Accretion		373
As at December 31, 2016	$	24,397
Accretion		117
As at March 31, 2017	$	24,514

6. Selling, general & administrative expenses

Three months ended March 31,		2017		2016
Salaries & benefits	$	2,385	$	2,467
Occupancy costs		490		369
Consulting		224		310
Travel		336		357
Repairs & maintenance		187		185
Office		247		402
Audit & accounting		164		186
Insurance		335		297
Other		160		379
	$	4,528	$	4,952

The comparative period previously included the gain on sale of property, plant and equipment of $55 in selling, general and administrative expenses. This amount has been excluded from selling, general & administrative to conform to the current presentation. In addition, certain categories of selling, general & administrative expenses for the comparative period have been reclassified to conform to the current period presentation.

7. Loss per share

The shares issuable under the stock options and convertible secured debentures are the only potentially dilutive units as at March 31, 2017. The following table sets forth the adjustments to the numerator and denominator for fully diluted loss per share:

Three months ended March 31,		2017		2016
Numerator:				
Net loss from continuing operations		(3,623)		(16,092)
Net loss from discontinued operations		(370)		(4,725)
Net loss	$	(3,993)	$	(20,817)
Denominator:				
Weighted average number of shares outstanding		109,941		109,941

As a result of the net losses incurred in all periods presented, all potentially dilutive securities were anti-dilutive.

8. 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 on January 31, 2017	6,560,000	0.28
Balance as at March 31, 2017	6,560,000	0.28
Exerciseable as at March 31, 2017	-	-

The options outstanding at March 31, 2017 have a weighted average remaining contractual life of 4.83 years. The fair value of the stock options granted during the three months ended March 31, 2017 of $0.19 per option was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

Assumptions used in Black-Scholes model	
Risk free interest rate	0.5%
Expected life (months)	48
Estimated volatility of underlying common shares (%)	100.0%
Expected dividend yield	0.0%
Exercise price	0.28
Share price	0.28

Volatility of ClearStream's common shares was estimated using the Company's actual historical volatility as well as the volatility of peer group companies with similar corporate structure, operations and size. For the three months ended March 31, 2017, the Company recognized $148 of stock based compensation expense relating to stock options.

Restricted Share Units

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

	Number of RSUs
Balance as at January 1, 2017	-
Granted on January 31, 2017	5,510,000
Balance as at March 31, 2017	5,510,000
Exerciseable as at March 31, 2017	-

ClearStream's five day weighted average closing share price at March 31, 2017 was $0.25. The weighted average remaining contractual life of the outstanding RSUs as at March 31, 2017 was 2.1 years. For the three months ended March 31, 2017, $103 of stock based compensation expense was recognized relating to RSUs.

Performance Share Units

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

	Number of PSUs
Balance as at January 1, 2017	-
Granted on January 31, 2017	4,070,000
Balance as at March 31, 2017	4,070,000
Exerciseable as at March 31, 2017	-

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

The weighted average remaining contractual life of the outstanding PSUs as at March 31, 2017 was 2.2 years.

The number of PSUs estimated to vest is estimated at each reporting date based on management's assessment of the likelihood of achieving the EBITDA-based performance condition. As at March 31, 2017, the Company incurred $58 of stock based compensation expense relating to PSUs using an estimated likelihood of achieving the EBITDA-based performance condition of 75%.

9. Provision

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

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

10. Related party disclosures

Two operating leases for property, with quarterly rents of $78 and $75 are with a landlord in which certain executives of ClearStream hold an indirect minority interest (2016 - $78 and $75). 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.

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

The Corporate division 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 eliminations. ClearStream accounts for intersegment sales based on transaction price.

The figures in the Maintenance and Construction segment and the Elimination column have been reclassified for the comparative period to conform with the presentation of the current period.

Three months ended March 31, 2017	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	59,208	18,896	-	(415)	77,689
Cost of revenues	(56,770)	(14,794)	-	415	(71,149)
Gross profit	2,438	4,102	-	-	6,540
Selling, general and administrative expenses	(335)	(183)	(4,010)	-	(4,528)
Stock based compensation	-	-	(309)	-	(309)
Amortization of intangible assets	(47)	(73)	(743)	-	(863)
Depreciation	(563)	(587)	(81)	-	(1,231)
Income from equity investment	37	-	-	-	37
Interest expense	(50)	(56)	(4,926)	-	(5,032)
Gain from assets held for sale	-	-	123	-	123
Restructuring costs	-	-	(277)	-	(277)
Gain on sale of property, plant and equipment	1,916	1	-	-	1,917
Income (loss) from continuing operations	3,396	3,204	(10,223)	-	(3,623)

Three months ended March 31, 2016	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	54,651	14,670	-	(681)	68,640
Cost of revenues	(51,659)	(12,346)	-	681	(63,324)
Gross profit	2,992	2,324	-	-	5,316
Selling, general and administrative expenses	(475)	(195)	(4,282)	-	(4,952)
Amortization of intangible assets	(46)	(83)	(772)	-	(901)
Depreciation	(694)	(709)	(145)	-	(1,548)
Income from equity investment	56	-	(291)	-	(235)
Interest expense	(94)	(109)	(6,038)	-	(6,241)
Gain from assets held for sale	-	-	1,114	-	1,114
Impairment of goodwill	-	-	(8,700)	-	(8,700)
Gain (loss) on sale of property, plant and equipment	52	5	(2)	-	55
Income (loss) from continuing operations	1,791	1,233	(19,116)	-	(16,092)

ClearStream

Corporate Office

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