ClearStream

# *Third Quarter Report* ***2017***

*Helping Customers*
***Bring Resources to Our World***

## DEAR SHAREHOLDERS

ClearStream's financial results for the third quarter of 2017 included a revenue increase of 27% and a reduction in adjusted EBITDAS of 58% compared to the third quarter of 2016. The year-over-year improvement in revenue was driven by increased demand for all major services including maintenance, wear technology and fabrication, and a recovery of activity from the Fort McMurray fires that impacted our operations in the third quarter of 2016. Stable commodity prices contributed to the increase in demand as most of our customers operate within the oil and gas industry.

The year-over-year decrease in EBITDAS was largely due to a decline in pricing for our maintenance and wear technology services combined with gross losses on two lump sum projects within the maintenance and construction division. Pricing for projects and maintenance services remains very competitive with narrow profit margins needed to secure contracts. In addition, two fires at two different client locations in the third quarter unexpectedly deferred work for the maintenance and construction division. Although the deferred work is expected to be completed in the fourth quarter of 2017, certain costs were incurred in preparation for this work, which increased direct cost of sales during the third quarter of 2017.

An increase in selling, general and administrative ("SG&A") costs also contributed to lower EBITDAS in third quarter of 2017. SG&A costs increased on a year-over-year basis due to higher legal, consulting and people costs, combined with cost recoveries recorded in third quarter of 2016.

ClearStream expanded its service offering during the third quarter of 2017 by launching an environmental services division. This division will focus on project lifecycle consulting for the land, environmental, regulatory, reclamation and remediation needs of our customers. We believe this service offering fits well with our existing lines of business and look forward to growing this division in the fourth quarter of 2017 and into 2018.

Although we have been successful in growing EBITDAS in 2017, ClearStream's industry remains very competitive. A lack of new oil and gas project growth continues to impact construction demand and the focus for ClearStream and many of our competitors is on selling and growing maintenance services. As a result, the maintenance business remains very competitive with continual pressure on pricing and demand for services. In order to compete in this competitive industry, we continue to focus on providing safe, timely and cost effective services to our customers, which we believe has allowed us to protect and grow market share during 2017. We have renewed all key contracts with existing customers in 2017 and have added contracts with new customers throughout the year. As a result, we expect a year-over-year increase in demand for our services in the fourth quarter of 2017 and remain confident that ClearStream will grow its business and increase profitability in 2018.

Thank you for your continued support.

Dean MacDonald
Interim Chief Executive Officer and Executive Chairman

## Management's Discussion and Analysis

November 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 and nine months ended September 30, 2017 and 2016. This MD&A should be read in conjunction with ClearStream's condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 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 November 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 IAS 34 – Interim Financial Reporting.

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

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

Note: The Environmental Services division has been included in the Wear, Fabrication and Transportation Services segment; the financial results for this division were not significant to overall financial results for this segment during the periods ending September 30, 2017.

**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 this MD&A.

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

Investors are cautioned that the Non-standard measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-standard measures should only be used with reference to ClearStream’s Interim Financial Statements and Annual Financial Statements available on SEDAR at www.sedar.com or www.clearstreamenergy.ca.

## Third Quarter 2017 Performance

### Summary Results ($000's)

| | Three months ended September 30, 2017 | Three months ended September 30, 2016[1] | Nine months ended September 30, 2017 | Nine months ended September 30, 2016[1] |
|---|---|---|---|---|
| Revenues | 85,927 | 67,773 | 275,175 | 197,748 |
| Cost of revenues - direct | (74,677) | (55,488) | (237,732) | (162,173) |
| Cost of revenues - indirect | (4,615) | (5,461) | (13,195) | (17,970) |
| Gross profit | 6,635 | 6,824 | 24,248 | 17,605 |
| Selling, general and administrative expenses | (4,929) | (3,356) | (13,852) | (12,312) |
| Share based compensation | 80 | - | (579) | - |
| Amortization expense | (861) | (716) | (2,588) | (2,518) |
| Depreciation expense | (1,338) | (1,533) | (3,927) | (4,667) |
| Income (loss) from equity investments | 30 | 62 | 160 | 201 |
| Loss from long-term investments | - | - | - | (294) |
| Interest expense | (5,470) | (5,239) | (15,688) | (16,184) |
| Gain (loss) on sale of assets held for sale | 105 | 212 | (287) | 1,326 |
| Restructuring costs | (383) | (344) | (827) | (344) |
| Impairment of goodwill and intangible assets | - | - | - | (8,700) |
| Other income | - | 623 | - | 623 |
| Gain (loss) on sale of property, plant and equipment | 11 | (1,155) | 2,089 | (822) |
| Income tax expense - current | - | (2) | (2) | (21) |
| Loss from continuing operations | (6,120) | (4,624) | (11,253) | (26,107) |
| Add: | | | | |
| Amortization | 861 | 716 | 2,588 | 2,518 |
| Depreciation | 1,338 | 1,533 | 3,927 | 4,667 |
| Share based compensation | (80) | - | 579 | - |
| Interest expense | 5,470 | 5,239 | 15,688 | 16,184 |
| Income tax expense - current | - | 2 | 2 | 21 |
| EBITDAS | 1,469 | 2,866 | 11,531 | (2,717) |
| Loss from long-term investments | - | - | - | 294 |
| (Gain) loss on sale of assets held for sale | (105) | (212) | 287 | (1,326) |
| Restructuring costs | 383 | 344 | 827 | 344 |
| Impairment of goodwill and intangible assets | - | - | - | 8,700 |
| (Gain) Loss on sale of property, plant and equipment | (11) | 1,155 | (2,089) | 822 |
| Adjusted EBITDAS | 1,736 | 4,153 | 10,556 | 6,117 |

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

| Selected Balance Sheet Accounts As at | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Total assets | $ 146,315 | $ 134,842 |
| ABL facility | 19,000 | 3,500 |
| Senior secured debentures | 171,900 | 171,642 |
| Convertible secured debentures | 24,764 | 24,397 |
| Shareholders' deficit | (116,679) | (103,514) |

**Third Quarter 2017 results**

Revenues for the three and nine months ended September 30, 2017 were $85,927 and $275,175, compared to $67,773 and $197,748 for the same periods in 2016, an increase of 26.8% and 39.2%. Demand for ClearStream's services increased for both reportable segments due to increased maintenance and fabrication demand, and a recovery in demand in Fort McMurray activity after the 2016 wildfires.

Gross profit for the three and nine months ended September 30, 2017 was $6,635 and $24,248, compared to $6,824 and $17,605 for the same periods in 2016; and gross margins were 7.7% and 8.8% compared to 10.1% and 8.9% for the same periods in 2016. Gross margins declined on a year-over-year basis due to pricing decreases for maintenance and wear technology services combined with gross losses on two lump sum projects within the maintenance and construction division. These projects have been completed and no additional losses are expected. Gross margins were also negatively impacted by fire-related delays at two separate client sites. Although the deferred work is expected to be completed in the fourth quarter of 2017, certain costs were incurred in preparation for this work, which increased direct cost of sales during the third quarter of 2017.

Selling, general and administrative ("SG&A") costs for the three and nine months ended September 30, 2017 were $4,929 and $13,852, compared to $3,356 and $12,312 for the same periods in 2016. SG&A expenses increased during the third quarter of 2017 due largely to an increase in legal and consulting costs. In addition, cost recoveries were recognized in the third quarter of 2016, which decreased the prior period SG&A expenses. As a percentage of revenue, SG&A costs have declined to 5.0% from 6.2% for the nine months ended September 30, 2017.

For the three and nine months ended September 30, 2017, adjusted EBITDAS was $1,736 and $10,556, compared to $4,153 and $6,117 for the same periods in 2016. The increase in SG&A expenses combined with the other income recorded in the third quarter of 2016 led to the year-over-year reduction in adjusted EBITDAS for the third quarter of 2017. Adjusted EBITDAS for the nine months ended September 30, 2017, is up 72.6% due largely to strong second quarter results in 2017.

Depreciation and amortization expense was $2,199 and $6,515 for the three and nine months ended September 30, 2017, compared to $2,249 and $7,185 for the same periods in 2016. The decreases were due to a reduction in depreciable assets relating to downsizing actions in 2016.

For the three and nine months ended September 30, 2017, interest costs, excluding accretion expense, were $5,247 and $15,063, compared to $5,050 and $13,852 for the same periods 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 were $223 and $625 compared to $189 and $2,332 for the same periods 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 year-to-date 2016 period was due to the 8.00% secured debentures maturing on March 23, 2016.

The loss from continuing operations was $6,120 and $11,253 for the three and nine months ended September 30, 2017, compared to the loss from continuing operations of $4,624 and $26,107 for the same periods in 2016.

## Segment Operating Results

### Maintenance and Construction Services

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016[1] | 2017 | 2016[1] |
| Revenues | $ 66,650 | $ 57,096 | $ 219,496 | $ 161,828 |
| Cost of revenues - direct | (60,179) | (48,537) | (198,031) | (138,981) |
| Cost of revenues - indirect | (2,635) | (3,175) | (7,344) | (10,511) |
| Gross profit | 3,836 | 5,384 | 14,121 | 12,336 |
| Selling, general and administrative expenses | (175) | (207) | (947) | (1,097) |
| Amortization expense | (48) | (14) | (141) | (138) |
| Depreciation expense | (659) | (733) | (1,905) | (2,143) |
| Income from equity investments | 30 | 62 | 160 | 201 |
| Interest expense | (62) | (86) | (189) | (273) |
| Gain on sale of property, plant and equipment | 8 | 188 | 1,974 | 459 |
| Income from continuing operations | $ 2,930 | $ 4,594 | $ 13,073 | $ 9,345 |
| Add: | | | | |
| Amortization | 48 | 14 | 141 | 138 |
| Depreciation | 659 | 733 | 1,905 | 2,143 |
| Interest expense | 62 | 86 | 189 | 273 |
| EBITDAS | $ 3,699 | $ 5,427 | $ 15,308 | $ 11,899 |
| Gain on sale of property, plant and equipment | (8) | (188) | (1,974) | (459) |
| Adjusted EBITDAS | $ 3,691 | $ 5,239 | $ 13,334 | $ 11,440 |

[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 $66,650 and $219,496 for the three and nine months ended September 30, 2017 compared to $57,096 and $161,828 for the same periods in the prior year, an increase of 16.7% and 35.6%. For the third quarter of 2017, revenues benefitted from an increase in maintenance demand and new work in Saskatchewan compared to the third quarter of 2016.

For the nine months ended September 30, 2017, a recovery of activity in Fort McMurray contributed to the increase in revenue as second and third quarter financial results in 2016 were negatively impacted by the Fort McMurray fires. An increase in maintenance and plant turnaround demand across all of our operating regions also led to the increased revenue for the period to date.

**Gross Profit**

Gross profit was $3,836 and $14,121 for the three and nine months ended September 30, 2017, compared with $5,384 and $12,336 for the same periods in the prior year. Gross profit margins for those same periods were 5.8% and 6.4% compared to 9.4% and 7.6% in 2016. For the third quarter of 2017, gross profit margins declined due to pricing decreases for maintenance and wear technology services combined with losses on two lump sum projects within the maintenance and construction division. Gross margins were also negatively impacted by fire-related delays at two separate client sites. Although the deferred work is expected to be completed in the fourth quarter of 2017, certain costs were incurred in preparation for this work, which increased direct cost of sales during the third quarter of 2017. These third quarter factors also impacted the year-to-date gross margins and contributed to the decline in gross margin percentage for the nine months ended September 30, 2017.

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

SG&A expenses for the Maintenance and Construction segment were $175 and $947 for the three and nine months ended September 30, 2017, compared with $207 and $1,097 for the same periods in the prior year. For the nine months ended September 30, 2017, SG&A costs are slightly down compared to the prior period, despite the 36% increase in revenue.

**Other**

The gain on sale of property, plant and equipment for the nine months ended September 30, 2017, 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 September 30, 2017 | 2016[1] | Nine months ended September 30, 2017 | 2016[1] |
|---|---|---|---|---|
| Revenues | $ 19,980 | $ 11,062 | $ 57,336 | $ 37,182 |
| Cost of revenues - direct | (15,200) | (7,336) | (41,355) | (24,456) |
| Cost of revenues - indirect | (1,981) | (2,286) | (5,854) | (7,457) |
| Gross profit | 2,799 | 1,440 | 10,127 | 5,269 |
| Selling, general and administrative expenses | (182) | (145) | (519) | (462) |
| Amortization expense | (73) | (72) | (219) | (216) |
| Depreciation expense | (588) | (729) | (1,759) | (2,164) |
| Interest expense | (39) | (69) | (148) | (260) |
| Gain on sale of property, plant and equipment | 3 | - | 115 | 62 |
| Income from continuing operations | $ 1,920 | $ 425 | $ 7,597 | $ 2,229 |
| Add: | | | | |
| Amortization | 73 | 72 | 219 | 216 |
| Depreciation | 588 | 729 | 1,759 | 2,164 |
| Interest expense | 39 | 69 | 148 | 260 |
| EBITDAS | $ 2,620 | $ 1,295 | $ 9,723 | $ 4,869 |
| Gain on sale of property, plant and equipment | (3) | - | (115) | (62) |
| Adjusted EBITDAS | $ 2,617 | $ 1,295 | $ 9,608 | $ 4,807 |

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

#### Revenues

Revenues for the Fabrication, Wear Technology and Transportation segment were $19,980 and $57,336 for the three and nine months ended September 30, 2017, compared to $11,062 and $37,182 for the same periods in the prior year, an increase of 80.6% and 54.2%. For the three months ended September 30, 2017, revenue increased due to a rise in both pipeline fabrication projects and demand for wear technology services.

For the nine months ended September 30, 2017, a recovery of activity in Fort McMurray contributed to the increase in revenue as second and third quarter financial results in 2016 were negatively impacted by the Fort McMurray fires. An increase in demand for all service lines within this segment also led to the increased revenue for the period to date.

#### Gross Profit

Gross profit was $2,799 and $10,127 for the three and nine months ended September 30, 2017, compared with $1,440 and $5,269 for the same periods in the prior year. Gross profit margins for those same periods were 14.0% and 17.7% compared to 13.0% and 14.2% in 2016. Gross profit margins for the segment were relatively consistent on a year-over-year basis as a decrease in wear technology pricing was offset by increased leverage on our fixed cost structure.

For the nine months ended September 30, 2017, gross profit margins increased due to cost cutting reductions that were implemented in 2016. Increased operational leverage on our fixed cost structure due to the rise in revenue also contributed to the higher gross profit margins.

#### Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses for the Fabrication, Wear Technology and Transportation segment were $182 and $519 for the three and nine months ended September 30, 2017, compared to $145 and $462 for the same periods in the prior year. The increase in the third quarter of 2017 relative to the prior period is due to start-up costs relating to the environmental division. For the nine months ended September 30, 2017, SG&A costs are relatively consistent with the prior period, despite the 54% increase in revenue.

## 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 September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016[1] | 2017 | 2016[1] |
| Selling, general administrative expenses | $ (4,572) | $ (3,004) | $ (12,386) | $ (10,753) |
| Share based compensation | 80 | - | (579) | (2,164) |
| Amortization expense | (740) | (630) | (2,228) | (360) |
| Depreciation expense | (91) | (71) | (263) | - |
| Loss from long-term investments | - | - | - | (294) |
| Interest expense | (5,369) | (5,084) | (15,351) | (15,651) |
| Impairment of goodwill and intangible assets | - | - | - | (8,700) |
| Gain (loss) from assets held for sale | 105 | 212 | (287) | 1,326 |
| Restructuring costs | (383) | (344) | (827) | (344) |
| Other income | - | 623 | - | 623 |
| Loss on sale of property, plant and equipment | - | (1,343) | - | (1,343) |
| Income tax recovery - current | - | (2) | (2) | (21) |
| Loss from continuing operations | $ (10,970) | $ (9,643) | $ (31,923) | $ (37,681) |
| Add: | | | | |
| Amortization expense | 740 | 630 | 2,228 | 360 |
| Depreciation expense | 91 | 71 | 263 | - |
| Share based compensation | (80) | - | 579 | 2,164 |
| Interest expense | 5,369 | 5,084 | 15,351 | 15,651 |
| Income tax recovery - current | - | 2 | 2 | 21 |
| EBITDAS | $ (4,850) | $ (3,856) | $ (13,500) | $ (19,485) |
| Loss from long-term investments | - | - | - | 294 |
| Impairment of goodwill and intangible assets | - | - | - | 8,700 |
| Gain (loss) from assets held for sale | (105) | (212) | 287 | (1,326) |
| Restructuring costs | 383 | 344 | 827 | 344 |
| Loss on sale of property, plant and equipment | - | 1,343 | - | 1,343 |
| Adjusted EBITDAS | $ (4,572) | $ (2,381) | $ (12,386) | $ (10,130) |

[1]Certain 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 $4,572 and $12,386 for the three and nine months ended September 30, 2017 compared to $3,004 and $10,753 for the same periods in the prior year. SG&A costs increased on a year-over-year basis due to higher legal, consulting and people costs, combined with cost recoveries recorded in third quarter of 2016.

### Other

During the first quarter of 2017, ClearStream issued share based compensation to certain employees of the Company. Total share based compensation expense recognized for the three and nine months ended September 30, 2017 was $80 and $579, respectively.

Restructuring costs related to the head office transition and one-time internal reorganization expenses for the three and nine months ended September 30, 2017 were $383 and $827, respectively.

The loss from assets held for sale recognized in 2017 reflects the impact of changes in the discount rate and probability factor based on the financial results of Titan Supply LP in the first year of the earn-out period. This change in estimate was partially offset by gains relating to the accretion of the earn-out assets for Gusgo Transport LP and Titan Supply LP.

### Discontinued Operations

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Loss from discontinued operations | (50) | (715) | (2,307) | (6,765) |

The loss from discontinued operations is due to changes in the value of the Quantum Murray earn-out asset combined with expenses that the Company continues to incur relating to Quantum Murray. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business, including the Brompton matter. For the nine months ended September 30, 2017, the loss from discontinued operations has decreased as the 2016 loss includes the operating losses of Quantum Murray prior to the sale on March 23, 2017 as well as costs associated with disposal of discontinued operations.

## Liquidity and Capital Resources

For the three and nine months ended September 30, 2017, the Company incurred a net loss of $6,170 and $13,560, respectively, and had a shareholders' deficit of $116,679 at September 30, 2017. During 2017 and 2016, ClearStream successfully obtained amendments to the terms of its ABL Facility, which allowed it to remain in compliance with its covenants through September 30, 2017. However, given the current debt levels of the Company relative to recent financial performance, there is a risk that the Company will breach financial covenants and/or will not be able to discharge its liabilities and commitments as they become due during the next twelve months.

ClearStream is carefully monitoring its results and continues to take actions to mitigate the risk of a covenant breach and/or the inability to discharge its liabilities and commitments. These actions include reductions to operating and capital expenditures, the sale of non-essential assets and effective management of working capital. The Company believes that it has a good relationship with its lenders and that, in the event that it concludes that a financial covenant or financial obligation would not be met, it could seek and receive future amendments to its debt agreements. 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:

| Nine months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash (used in) provided by operating activities | $ | (26,980) | $ | 2,141 |
| Cash provided by investing activities | | 472 | | 15,127 |
| Cash provided by (used in) financing activities | | 15,005 | | (34,694) |
| Consolidated cash | $ | - | $ | 6,983 |

### Operating Activities

| Nine months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash used in continuing operations | $ | (4,997) | $ | (12,376) |
| Changes in non-cash balances | | | | |
| Accounts receivable | | (28,026) | | 24,574 |
| Inventories | | (1,378) | | (514) |
| Prepaids and other current assets | | (119) | | (1,146) |
| Accounts payable, accrued liabilities and deferred revenue | | 11,629 | | (8,397) |
| Other liability | | (19) | | - |
| Increase (decrease) in cash due to changes in non-cash balances | | (17,913) | | 14,517 |
| Cash used in discontinued operations | | (4,070) | | - |
| Cash (used in) provided by operating activities | $ | (26,980) | $ | 2,141 |

Cash used in operating activities during the first nine months of 2017 consists largely of the net loss for the period combined with an increase in working capital of $17,913. The rise in working capital is consistent with the increase in operating activity relative to the comparative period. Cash used in discontinued operations consists primarily of a $3,000 payment to Brompton Corp., and insurance, legal and administrative costs associated with discontinued operations.

An increase in accounts receivable has driven the majority of the cash used in operating activities during 2017. Accounts receivable at September 30, 2017 is $74,954, of which $45,517 related to trade receivables and $29,674 to accrued revenue. ClearStream's customers are primarily multinational oil and gas and construction companies, all of which have strong creditworthiness. Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at September 30, 2017, $3,455 of ClearStream's trade receivables had been outstanding longer than 90 days. Management has fully evaluated the outstanding balance of trade receivables and believes that it is collectable based on settlement agreements or ongoing discussions with counterparties.

**Investing Activities**

| Nine months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Purchase of property, plant and equipment, net of disposals | | (2,462) | | (1,168) |
| Net proceeds on disposal of properly, plant & equipment | | 2,991 | | 1,560 |
| Purchase of software | | (57) | | (65) |
| Proceeds on disposition of business | | - | | 14,800 |
| Cash provided by investing activities | $ | 472 | $ | 15,127 |

The purchase of the property, plant and equipment in 2017 is 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**

| Nine months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Decrease in cash held in trust | $ | - | $ | 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) | | - | | (10,216) |
| Increase in bank indebtedness | | 2,383 | | - |
| Repayment of capital lease obligations | | (2,878) | | (4,143) |
| Advance on ABL facility | | 15,500 | | - |
| Cash provided by (used in) financing activities | $ | 15,005 | $ | (34,694) |

ClearStream repaid $2,878 of capital lease obligations during the first nine months of 2017. In addition, an advance of $15,500 was drawn on the Asset Based Lending ("ABL") facility to fund working capital needs during the second and third quarters. Most of the cash used in financing activities during the first nine months 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 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 either weekly or every two weeks and clients typically pay invoices in 60 to 90 days. During peak business activity, a higher number of employees are at customer sites, and this increases the need for working capital funding.

ClearStream will continue to look to reduce its debt leverage. The debenture 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.

## 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

The following is a brief summary of the new standards.

*International Financial Reporting Standard 9, Financial Instruments:* IFRS 9 is intended to replace IAS 39 Financial Instruments: Recognition and Measurement, and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method to be used, and incorporates new hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company's financial instruments primarily consist of cash (bank indebtedness), accounts receivable and payable, earn-out assets, amounts drawn on its ABL credit facility, senior secured debentures and convertible debentures. The terms of the majority of these instruments are non-complex in nature. Management does not anticipate any material adjustments from the adoption of IFRS 9 but will finalize its analysis in Q4 2017.

*International Financial Reporting Standard 15, Revenue from Contracts with Customers:* IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted.

The majority of the Company's contracts with customers are less than one year in length (although they may be provided under longer-term, master services agreements). Contracts in the Maintenance and Construction division are primarily based on time and materials incurred while contracts in the Wear, Fabrication and Transportation division are typically based on an up-front quotation for goods and/or services to be delivered and/or performed. Management is currently completing its assessment of the impact of adoption of IFRS 15 on its two segments, with calculations of any required adjustment to be finalized in Q4 2017.

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

| | 2017 Q3 | 2017 Q2 | 2017 Q1 | 2016 Q4 | 2016 Q3 | 2016 Q2 | 2016 Q1 | 2015 Q4 |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ 85,927 | $ 111,559 | $ 77,689 | $ 72,913 | $ 67,773 | $ 61,335 | $ 68,640 | $ 88,956 |
| Cost of Revenues - Direct | (74,677) | (96,315) | (66,740) | (59,871) | (55,488) | (50,208) | (56,477) | (73,352) |
| Cost of Revenues - Indirect | (4,615) | (4,171) | (4,409) | (5,737) | (5,461) | (5,662) | (6,847) | (6,978) |
| Gross Margin | 6,635 | 11,073 | 6,540 | 7,305 | 6,824 | 5,465 | 5,316 | 8,626 |
| Gross Margin % | 7.7% | 9.9% | 8.4% | 10.0% | 10.1% | 8.9% | 7.7% | 9.7% |
| Net loss from continuing operations | (6,120) | (1,510) | (3,623) | (6,829) | (4,625) | (5,391) | (16,092) | (68,859) |
| Net loss | (6,170) | (3,397) | (3,993) | (12,858) | (5,339) | (6,716) | (20,817) | (107,848) |
| Loss per share from continuing operations | (0.06) | (0.01) | (0.03) | (0.06) | (0.04) | (0.05) | (0.15) | (0.63) |
| Loss per share | (0.06) | (0.03) | (0.04) | (0.12) | (0.05) | (0.06) | (0.19) | (0.98) |

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, 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 2015 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 September 30, 2017, directors, officers and employees beneficially hold an aggregate of 15,563,838 common shares or 14.2% 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, 3,260,000 stock options outstanding and 1,740,000 performance share units outstanding.

## Outlook

Demand for ClearStream services is expected to remain stable during the fourth quarter of 2017 and up relative to 2016. Demand continues to be driven by stable commodity prices as well as improved operational execution. Improvements to key operational processes including safety, quality and recruiting have contributed to increased revenue in 2017 relative to 2016 and we expect this trend to continue in the fourth quarter 2017.

Although demand is expected to remain stable and ahead of 2016, ClearStream's areas of operations are expected to remain competitive for the remainder of 2017 and into 2018. With the lack of new oil and gas infrastructure projects in Canada, ClearStream and many of our competitors are focused on growing maintenance related business, which has more stable demand. As a result, the oil and gas maintenance industry is very competitive and ClearStream must continue to focus on cost control, customer retention, and process and efficiency improvements to stay ahead of the competition. ClearStream will also continue to focus on diversification efforts, as appropriate, to expand into new regions and provide services to customers outside of the oil and gas industry.

## 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 September 30, 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 September 30, 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](http://www.sedar.com) or on our website [www.ClearStreamEnergy.ca](http://www.ClearStreamEnergy.ca)

Condensed Consolidated Interim Financial Statements of

**CLEARSTREAM ENERGY SERVICES INC.**

Nine Months Ended September 30, 2017 and 2016
(Unaudited)

**CLEARSTREAM ENERGY SERVICES INC.**
Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(unaudited)

| As at | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Cash | $ - | $ 11,503 |
| Restricted cash | 980 | 980 |
| Accounts receivable (note 10) | 74,954 | 46,928 |
| Inventories | 4,378 | 3,000 |
| Prepaid expenses and other | 2,179 | 2,060 |
| Earn-out assets (note 3) | 1,555 | 1,608 |
| **Total current assets** | 84,046 | 66,079 |
| Property, plant and equipment, net (note 4) | 22,774 | 24,745 |
| Goodwill and intangible assets | 35,557 | 38,088 |
| Earn-out assets (note 3) | 2,586 | 4,056 |
| Long-term investments | 489 | 579 |
| Deferred financing costs (note 5) | 863 | 1,295 |
| **Total assets** | **$ 146,315** | **$ 134,842** |
| Bank indebtedness | $ 2,383 | $ - |
| Accounts payable and accrued liabilities | 38,495 | 26,848 |
| Deferred revenue | 149 | 167 |
| Current portion of obligations under finance leases | 2,766 | 3,902 |
| Other liability (note 9) | 1,969 | 4,985 |
| **Total current liabilities** | 45,762 | 35,902 |
| ABL facility (note 5) | 19,000 | 3,500 |
| Obligations under finance leases | 1,568 | 2,915 |
| Senior secured debentures (note 5) | 171,900 | 171,642 |
| Convertible secured debentures (note 5) | 24,764 | 24,397 |
| **Total liabilities** | 262,994 | 238,356 |
| Shareholders' deficit | (116,679) | (103,514) |
| **Total liabilities and shareholders' deficit** | **$ 146,315** | **$ 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 September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Revenue | $ 85,927 | $ 67,773 | $ 275,175 | $ 197,748 |
| Cost of revenue | (79,292) | (60,949) | (250,927) | (180,143) |
| **Gross profit** | 6,635 | 6,824 | 24,248 | 17,605 |
| Selling, general and administrative expenses (note 6) | (4,929) | (3,356) | (13,852) | (12,312) |
| Share based compensation (note 8) | 80 | - | (579) | - |
| Amortization of intangible assets | (861) | (716) | (2,588) | (2,518) |
| Depreciation (note 4) | (1,338) | (1,533) | (3,927) | (4,667) |
| Income (loss) from equity investment | 30 | 62 | 160 | (93) |
| Interest expense | (5,470) | (5,239) | (15,688) | (16,184) |
| Gain (loss) on sale of assets held for sale | 105 | 212 | (287) | 1,326 |
| Restructuring costs | (383) | (344) | (827) | (344) |
| Impairment of goodwill and intangible assets | - | - | - | (8,700) |
| Other income | - | 623 | - | 623 |
| Gain (loss) on sale of property, plant and equipment | 11 | (1,155) | 2,089 | (822) |
| **Loss before taxes** | (6,120) | (4,622) | (11,251) | (26,086) |
| Income tax expense - current | - | (2) | (2) | (21) |
| **Loss from continuing operations** | (6,120) | (4,624) | (11,253) | (26,107) |
| | - | | | |
| Loss from discontinued operations (net of taxes) (note 2) | (50) | (715) | (2,307) | (6,765) |
| **Net loss and comprehensive loss** | $ (6,170) | $ (5,339) | $ (13,560) | $ (32,872) |
| **Loss per share** (note 7) | | | | |
| Basic & diluted: | | | | |
| Continuing operations | $ (0.06) | $ (0.04) | $ (0.10) | $ (0.24) |
| Discontinued operations | $ (0.00) | $ (0.01) | $ (0.02) | $ (0.06) |
| Net loss | $ (0.06) | $ (0.05) | $ (0.12) | $ (0.30) |

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 | - | - | (13,560) | - | (13,560) |
| Share based compensation (note 8) | - | - | - | 395 | 395 |
| Balance - September 30, 2017 | 109,941,241 | $ 469,030 | $ (588,531) | $ 2,822 | $ (116,679) |

| | 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 | - | - | (32,872) | - | (32,872) |
| Equity component of the convertible debentures | - | 7,272 | - | - | 7,272 |
| Balance - September 30, 2016 | 109,941,241 | $ 469,030 | $ (562,113) | $ 2,427 | $ (90,656) |

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)

| Nine months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Operating activities: | | | | |
| Net loss for the period | $ | (13,560) | $ | (32,872) |
| Loss from discontinued operations (net of income tax) | | 2,307 | | 6,765 |
| Items not affecting cash: | | | | |
| Share based compensation (note 8) | | 396 | | - |
| Amortization of intangible assets | | 2,588 | | 2,518 |
| Depreciation (note 4) | | 3,927 | | 4,667 |
| (Income) loss from equity investments | | 90 | | 93 |
| Accretion expense (note 5) | | 625 | | 2,332 |
| Amortization of deferred financing costs (note 5) | | 432 | | 288 |
| Impairment of goodwill and intangible assets | | - | | 8,700 |
| (Gain) loss on sale of assets held for sale | | 287 | | (1,326) |
| Gain on sale of property, plant and equipment | | (2,089) | | 822 |
| Changes in non-cash working capital | | (17,913) | | 14,517 |
| Advances to discontinued operations | | - | | (4,363) |
| Cash used in discontinued operations (note 2) | | (4,070) | | - |
| Total cash (used in) provided by operating activities | $ | (26,980) | $ | 2,141 |
| Investing activities: | | | | |
| Purchase of property, plant and equipment (note 4) | | (2,462) | | (1,168) |
| Net proceeds on disposal of property, plant and equipment (note 4) | | 2,991 | | 1,560 |
| Purchase of intangible assets | | (57) | | (65) |
| Proceeds on the disposition of businesses (note 2) | | - | | 14,800 |
| Total cash provided by investing activities | $ | 472 | $ | 15,127 |
| 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 debenture | | - | | (10,216) |
| Increase in bank indebtedness | | 2,383 | | - |
| Advance on ABL facility | | 15,500 | | - |
| Repayment of obligations under finance leases | | (2,878) | | (4,143) |
| Total cash provided by (used in) financing activities | $ | 15,005 | $ | (34,694) |
| Decrease in cash | | (11,503) | | (17,426) |
| Cash, beginning of the period | | 11,503 | | 24,409 |
| Cash, end of period | $ | - | $ | 6,983 |
| | | | | |
| Supplemental cash flow information: | | | | |
| Interest paid | | 10,120 | | 9,749 |
| Supplemental disclosure of non-cash financing and investing activities: | | | | |
| Acquisition of property, plant and equipment through finance leases | | 394 | | 426 |

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

**CLEARSTREAM ENERGY SERVICES INC.**
Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per share amounts)
For the three and nine months ended September 30, 2017 and 2016
(unaudited)

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 November 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. Accordingly, 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.

Certain amounts in previous periods' financial statements have been reclassified to conform to the current period's financial statements presentation.

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 and nine months ended September 30, 2017, the Company incurred a net loss of $6,170 and $13,560, respectively, and had a shareholders' deficit of $116,679 at September 30, 2017. During 2016 and 2017, ClearStream successfully obtained amendments to the terms of its ABL Facility, which allowed it to remain in compliance with its covenants through September 30, 2017. However, given the current debt levels of the Company relative to recent financial performance, there is a risk that the Company will breach financial covenants and/or will not be able to discharge its liabilities and commitments as they become due during the next twelve months.

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

c) New standards and interpretations not yet adopted
The following is a brief summary of the new standards.

*International Financial Reporting Standard 9, Financial Instruments:* IFRS 9 is intended to replace IAS 39 Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method to be used, and incorporates new hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company's financial instruments primarily consist of cash (bank indebtedness), accounts receivable and payable, earn-out assets, amounts drawn on its credit facility, senior secured debentures and convertible debentures. The terms of the majority of these instruments are non-complex in nature. Management does not anticipate any material adjustments from the adoption of IFRS 9 but will finalize its analysis in the fourth quarter of 2017.

*International Financial Reporting Standard 15, Revenue from Contracts with Customers:* IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted.

The majority of the Company's contracts with customers are less than one year in length (although they may be provided under longer-term, master services agreements). Contracts in the Maintenance and Construction division are primarily based on time and materials incurred while contracts in the Wear, Fabrication and Transportation division are typically based on an up-front quotation for goods and/or services to be delivered and/or performed. Management is currently completing its assessment of the impact of adoption of IFRS 15 on its two segments, with calculations of any required adjustment to be finalized in the fourth quarter of 2017.

## 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.

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 received in April 2016.

During the nine months ended September 30, 2017, the Company incurred a loss on sale of discontinued operations of $2,307, which reflects additional costs associated with the disposal of Quantum Murray's assets, as well as accretion and fair value adjustments on the earn-out asset (see Note 3). The additional costs included legal, consulting and insurance expenses.

The following table shows the revenue and net loss from discontinued operations for the three and nine months ended September 30, 2017 and 2016:

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ 29,179 |
| Expenses | - | - | - | (30,700) |
| Loss before taxes | - | - | - | (1,521) |
| Loss on sale of discontinued operations | (50) | (715) | (2,307) | (5,244) |
| Net loss from discontinued operations | $ (50) | $ (715) | $ (2,307) | $ (6,765) |

## 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 September 30, 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 | | 194 |
| As at September 30, 2017 | $ | 1,706 |

Of the fair value of $1,706 at September 30, 2017, approximately $480 is recorded as current earn-out assets with the remaining $1,226 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. For the year ended March 31, 2017, the free cash flow targets were not met and no earn-out was received. As a result, the earn-out amount for the first year can instead be earned in either of the years ending March 31, 2018 or 2019 if the free cash flow in 2018 or 2019 exceeds that year's target combined with the target for the year ended March 31, 2017.

The fair value of this earn-out at September 30, 2017 was calculated using a discounted cash flow model with a discount rate of 25% (December 31, 2016 – 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 | | 567 |
| Change in estimates | | (2,288) |
| As at September 30, 2017 | $ | 2,435 |

The change in estimates in 2017 resulting in a reduction of fair value of $2,288 reflects the impact of changes in the discount rate and probability factor based on the financial results of Quantum Murray and Titan in the first year of the earn-out period.

As at September 30, 2017, the present value of this earn-out is approximately $2,435, the current portion of which is $1,075 and the remainder of $1,360 is recorded as non-current. The accretion and change in estimates resulting in a reduction in fair value related to Titan of $482 are recorded in gain (loss) on sale of assets held for sale. The accretion and change in estimates resulting in a reduction in fair value related to Quantum Murray of $1,239 are recorded in loss from discontinued operations.

## 4. Property, plant and equipment

During the nine months ended September 30, 2017, the Company acquired assets with a cost of $2,856 (nine months ended September 30, 2016 - $1,594), which includes equipment under finance leases of $394 (nine months ended September 30, 2016 - $426).

| | | |
|---|---|---|
| Cost as at January 1, 2017 | $ | 81,918 |
| Additions | | 2,856 |
| Disposals | | (2,447) |
| Cost as at September 30, 2017 | $ | 82,327 |
| | | |
| Accumulated depreciation as at January 1, 2017 | $ | (57,173) |
| Depreciation | | (3,927) |
| Disposals | | 1,547 |
| Accumulated depreciation as at September 30, 2017 | $ | (59,553) |
| | | |
| Net book value, January 1, 2017 | $ | 24,745 |
| Net book value, September 30, 2017 | $ | 22,774 |

As at September 30, 2017, property, plant and equipment included $12,674 (December 31, 2016 - $13,202) that was subject to a general security agreement under the senior secured debentures and the convertible secured debentures.

## 5. ABL facility and debentures

a) ABL Facility

The ABL Facility is a revolving facility providing for maximum borrowings of up to $50,000 and carries a term of three years beginning March 23, 2016. 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 September 30, 2017 is $30,245. 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 September 30, 2017, $19,000 (December 31, 2016 - $3,500) was drawn on the ABL Facility and bank indebtedness was $2,383, leaving $8,862 of availability on the ABL Facility. The Company incurred $1,727 in deferred financing fees associated with the ABL Facility in 2016. These costs are being amortized over the term of the facility. As at September 30, 2017, the net unamortized amount of deferred financing costs was $863.

As at September 30, 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 and from July 2017 to December 2017 inclusive, where EBITDA is defined as net earnings, before depreciation and amortization, interest expense, income tax expense, and stock based compensation;
- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning May 1, 2017 (in each case) and ending on the last day of each month, from, and including, January 31, 2018 until, and including, March 31, 2018;

- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.1:1.0 for each twelve month period ending on and after April 30, 2018;
- ClearStream must not expend or become obligated for any capital expenditures in an aggregate amount exceeding 1) $6,500 during any fiscal year, and 2) $100 during any calendar month between August 2017 and December 2017.

The Fixed Charge Coverage Ratio is defined as follows:

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

  divided by:

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

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 secures the Company's obligations under the ABL Facility. The Senior Secured Debentures provide for certain events of default and covenants of the Company which are customary for transactions of this nature, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm's length transactions, reorganizations and hedging arrangements (subject to certain exceptions).

The Company incurred $4,821 in deferred financing fees associated with the Senior Secured Debentures in 2016. These costs are recorded net of the principal balance of the Senior Secured Debenture and will be accreted over the term of Senior Secured Debentures.

| As at | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Principal balance of senior secured debentures | $ 176,288 | $ 176,288 |
| Deferred financing fees, net of accumulated amortization | (4,388) | (4,646) |
| Senior secured debentures | $ 171,900 | $ 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 in 2016. These costs are recorded net of the principal balance of the Convertible Secured Debentures and will be accreted over the term of Convertible Secured Debentures.

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 | | 367 |
| As at September 30, 2017 | $ | 24,764 |

## 6. Selling, general & administrative expenses

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Salaries & benefits | $ 2,334 | $ 2,068 | $ 6,805 | $ 6,467 |
| Occupancy costs | 401 | 370 | 1,364 | 965 |
| Consulting | 485 | - | 937 | 702 |
| Travel | 369 | 166 | 1,110 | 896 |
| Repairs & maintenance | 179 | 163 | 485 | 462 |
| Office | 333 | 229 | 877 | 847 |
| Audit & accounting | 175 | (12) | 549 | 460 |
| Insurance | 294 | 324 | 944 | 960 |
| Other | 359 | 48 | 781 | 553 |
| | $ 4,929 | $ 3,356 | $ 13,852 | $ 12,312 |

## 7. Loss per share

The shares issuable under the stock options, performance share units, and convertible secured debentures are the only potentially dilutive units as at September 30, 2017. The following table sets forth the adjustments to the numerator and denominator for fully diluted loss per share:

| Three months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Numerator: | | | | |
| Net loss from continuing operations | | (6,120) | | (4,624) |
| Net loss from discontinued operations | | (50) | | (715) |
| Net loss | $ | (6,170) | $ | (5,339) |
| Denominator: | | | | |
| Weighted average number of shares outstanding | | 109,941 | | 109,941 |
| Effect of dilutive instruments | | - | | - |
| Weighted average number of shares outstanding (diluted) | | 109,941 | | 109,941 |

| Nine months ended September 30, | | 2017 | | 2016 |
|---|---|---|---|---|
| Numerator: | | | | |
| Net loss from continuing operations | | (11,253) | | (26,107) |
| Net loss from discontinued operations | | (2,307) | | (6,765) |
| Net loss | $ | (13,560) | $ | (32,872) |
| Denominator: | | | | |
| Weighted average number of shares outstanding | | 109,941 | | 109,941 |
| Effect of dilutive instruments | | - | | - |
| Weighted average number of shares outstanding (diluted) | | 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 |
| Forfeited | (3,300,000) | 0.28 |
| Balance as at September 30, 2017 | 3,260,000 | 0.28 |
| Exerciseable as at September 30, 2017 | - | - |

The options outstanding at September 30, 2017 have a weighted average remaining contractual life of 4.25 years. The fair value of the stock options granted during the nine months ended September 30, 2017 of $0.19 per option was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions:

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

Volatility of ClearStream's common shares was estimated using the Company's actual historical volatility as well as the volatility of peer group companies with similar corporate structure, operations and size. For the three and nine months ended September 30, 2017, the Company recognized ($73) and $297 of share based compensation expense relating to stock options.

Restricted Share Units

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

| | Number of RSUs |
|---|---|
| Balance as at January 1, 2017 | - |
| Granted on January 31, 2017 | 5,510,000 |
| Forfeited | (430,000) |
| Balance as at September 30, 2017 | 5,080,000 |
| Exerciseable as at September 30, 2017 | - |

ClearStream's five day weighted average closing share price at September 30, 2017 was $0.12. The weighted average remaining contractual life of the outstanding RSUs as at September 30, 2017 was 1.6 years. For the three and nine months ended September 30, 2017, $38 and $183 of share based compensation expense was recognized relating to RSUs.

Performance Share Units

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

| | Number of PSUs |
|---|---|
| Balance as at January 1, 2017 | - |
| Granted on January 31, 2017 | 4,070,000 |
| Forfeited | (2,330,000) |
| Balance as at September 30, 2017 | 1,740,000 |
| Exerciseable as at September 30, 2017 | - |

The fair value of the PSUs granted during the three and nine months ended September 30, 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 September 30, 2017 was 1.7 years.

The number of PSUs estimated to vest is estimated at each reporting date based on management's assessment of the likelihood of achieving the EBITDA-based performance condition. For the three and nine months ended September 30, 2017, the Company incurred ($46) and $97 of share based compensation expense relating to PSUs using an estimated likelihood of achieving the EBITDA-based performance condition of 75%.

## 9. Other liability

On June 12, 2015, Brompton Corp. ("Brompton") served the Company and certain of its affiliates with a Statement of Claim seeking, among other things, indemnification for the Company's 40% share of the Canada Revenue Agency ("CRA")'s notices of reassessment relating to 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 appealed the decision to the Court of Appeal. In turn, Brompton 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, but subsequently abandoned its cross-appeal. The hearing of the appeal took place on July 6, 2017, at which time the Court of Appeal dismissed the appeal and upheld the decision to grant judgment in favour of Brompton in the amount of $4,969. At September 30, 2017, the Company has paid $3,000 to Brompton, with the remaining $1,969 to be paid by the end of 2017.

## 10. Risk management

ClearStream's Board of Directors has overall responsibility for the establishment and oversight of ClearStream's risk management framework. Clearstream has exposure to credit risk, customer concentration risk, liquidity risk, and interest rate risk. There were no significant changes to customer concentration risk, liquidity risk, or interest rate risk from December 31, 2016.

i) Credit risk

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

| As at | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Cash | $ - | $ 11,503 |
| Restricted cash | 980 | 980 |
| Accounts receivable | 74,954 | 46,928 |
| Earn-out assets | 4,141 | 5,664 |
| Total | $ 80,075 | $ 65,075 |

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

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

Of the total balance of accounts receivable at September 30, 2017, $45,517 (December 31, 2016 - $31,072) related to trade receivables and $29,674 (December 31, 2016 - $15,856) related to accrued revenue (i.e. for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at September 30, 2017, $3,455 (December 31, 2016 - $5,620) of ClearStream's trade receivables had been outstanding longer than 90 days. Management has fully evaluated the outstanding balance of trade receivables and believes that it is collectable based on settlement agreements or ongoing discussions with counterparties.

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

## 11. 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.

## 12. 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 transactions. 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 September 30, 2017 | Maintenance and Construction | Wear, Fabrication and Transportation | Corporate | Eliminations | Total |
|---|---|---|---|---|---|
| Revenues | 66,650 | 19,980 | - | (703) | 85,927 |
| Cost of revenues | (62,814) | (17,181) | - | 703 | (79,292) |
| Gross profit | 3,836 | 2,799 | - | - | 6,635 |
| | | | | | |
| Selling, general and administrative expenses | (175) | (182) | (4,572) | - | (4,929) |
| Share based compensation | - | - | 80 | - | 80 |
| Amortization of intangible assets | (48) | (73) | (740) | - | (861) |
| Depreciation | (659) | (588) | (91) | - | (1,338) |
| Income from equity investment | 30 | - | - | - | 30 |
| Interest expense | (62) | (39) | (5,369) | - | (5,470) |
| Gain from assets held for sale | - | - | 105 | - | 105 |
| Restructuring costs | - | - | (383) | - | (383) |
| Gain on sale of property, plant and equipment | 8 | 3 | - | - | 11 |
| Income (loss) from continuing operations | 2,930 | 1,920 | (10,970) | - | (6,120) |

| Three months ended September 30, 2016 | Maintenance and Construction | Wear, Fabrication and Transportation | Corporate | Eliminations | Total |
|---|---|---|---|---|---|
| Revenues | 57,096 | 11,062 | - | (385) | 67,773 |
| Cost of revenues | (51,712) | (9,622) | - | 385 | (60,949) |
| Gross profit | 5,384 | 1,440 | - | - | 6,824 |
| | | | | | |
| Selling, general and administrative expenses | (207) | (145) | (3,004) | - | (3,356) |
| Amortization of intangible assets | (14) | (72) | (630) | - | (716) |
| Depreciation | (733) | (729) | (71) | - | (1,533) |
| Income from equity investment | 62 | - | - | - | 62 |
| Interest expense | (86) | (69) | (5,084) | - | (5,239) |
| Gain from assets held for sale | - | - | 212 | - | 212 |
| Restructuring costs | - | - | (344) | - | (344) |
| Other income | - | - | 623 | - | 623 |
| Gain (loss) on sale of property, plant and equipment | 188 | - | (1,343) | - | (1,155) |
| Income (loss) before taxes | 4,594 | 425 | (9,641) | - | (4,622) |
| Income tax expense - current | - | - | (2) | - | (2) |
| Income (loss) from continuing operations | 4,594 | 425 | (9,643) | - | (4,624) |

| Nine months ended September 30, 2017 | Maintenance and Construction | Wear, Fabrication and Transportation | Corporate | Eliminations | Total |
|---|---|---|---|---|---|
| Revenues | 219,496 | 57,336 | - | (1,657) | 275,175 |
| Cost of revenues | (205,375) | (47,209) | - | 1,657 | (250,927) |
| Gross profit | 14,121 | 10,127 | - | - | 24,248 |
| | | | | | |
| Selling, general and administrative expenses | (947) | (519) | (12,386) | - | (13,852) |
| Share based compensation | - | - | (579) | - | (579) |
| Amortization of intangible assets | (141) | (219) | (2,228) | - | (2,588) |
| Depreciation | (1,905) | (1,759) | (263) | - | (3,927) |
| Income from equity investment | 160 | - | - | - | 160 |
| Interest expense | (189) | (148) | (15,351) | - | (15,688) |
| Loss from assets held for sale | - | - | (287) | - | (287) |
| Restructuring costs | - | - | (827) | - | (827) |
| Gain on sale of property, plant and equipment | 1,974 | 115 | - | - | 2,089 |
| Income (loss) before taxes | 13,073 | 7,597 | (31,921) | - | (11,251) |
| Income tax expense - current | - | - | (2) | - | (2) |
| Income (loss) from continuing operations | 13,073 | 7,597 | (31,923) | - | (11,253) |

| Nine months ended September 30, 2016 | Maintenance and Construction | Wear, Fabrication and Transportation | Corporate | Eliminations | Total |
|---|---|---|---|---|---|
| Revenues | 161,828 | 37,182 | - | (1,262) | 197,748 |
| Cost of revenues | (149,492) | (31,913) | - | 1,262 | (180,143) |
| Gross profit | 12,336 | 5,269 | - | - | 17,605 |
| | | | | | |
| Selling, general and administrative expenses | (1,097) | (462) | (10,753) | - | (12,312) |
| Amortization of intangible assets | (138) | (216) | (2,164) | - | (2,518) |
| Depreciation | (2,143) | (2,164) | (360) | - | (4,667) |
| Loss from equity investment | (93) | - | - | - | (93) |
| Interest expense | (273) | (260) | (15,651) | - | (16,184) |
| Gain from assets held for sale | - | - | 1,326 | - | 1,326 |
| Restructuring costs | - | - | (344) | - | (344) |
| Impairment of goodwill | - | - | (8,700) | - | (8,700) |
| Other income | - | - | 623 | - | 623 |
| Gain (loss) on sale of property, plant and equipment | 459 | 62 | (1,343) | - | (822) |
| Income (loss) before taxes | 9,051 | 2,229 | (37,366) | - | (26,086) |
| Income tax expense - current | - | - | (21) | - | (21) |
| Income (loss) from continuing operations | 9,051 | 2,229 | (37,387) | - | (26,107) |


ClearStream

*Corporate Office*

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

Tel: 587-318-0997

InvestorRelations@clearstreamenergy.ca

*Visit us online*

ClearStreamEnergy.ca