ClearStream

First Quarter 2018

Helping Customers

Bring Resources to Our World

CLEARSTREAM ENERGY SERVICES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTER ENDED MARCH 31, 2018

DEAR SHAREHOLDERS

ClearStream's financial results for the first quarter of 2018 were similar to the first quarter of 2017 as revenue increased by 9% and adjusted EBITDAS was largely unchanged. The year-over-year improvement in revenue was driven by increased demand for maintenance and wear technology services, offset partially by weaker demand for construction and fabrication services. Stable commodity prices have led to steady demand for maintenance related service lines while a lack of new project growth in Alberta has constrained demand for construction and fabrication services.

Gross profit margins declined to 8.0% compared to 8.4% on a year-over-year basis. ClearStream's service lines continue to remain competitive, which has led to pricing declines for many services offered. ClearStream has responded by focusing on efficiency improvements and cost control initiatives; however, the pricing declines have offset these initiatives and led to lower year-over-year profit margins. This competitive landscape is expected to continue for the remainder of 2018 as our clients continue to take a cautious approach with maintenance and capital spending plans.

ClearStream continued to focus on growing its environmental services division in the first quarter of 2018. The client base and revenue of this division expanded during the first quarter of 2018, and we expect environmental services to become a more meaningful portion of our revenue as the year progresses. ClearStream also streamlined its service offering by selling its transportation assets during the first quarter of 2018, which will allow the Company to focus on its core service offerings of maintenance, turnarounds, wear technology, fabrication and environmental services.

During the first quarter of 2018, ClearStream completed a refinancing transaction with its major stakeholders that improved the financial stability of the Company. As part of this transaction, $108.6 million of long-term debt was exchanged for a newly created series of Preferred Shares. In addition, ClearStream issued $19 million of Preferred Shares in exchange for cash proceeds that will be used to fund existing and future interest obligations.

As our industry remains very competitive, we will continue to focus on delivering services to our clients in a cost-efficient and safe manner. We believe that this approach will lead to market share gains and growth for ClearStream moving forward.

Thank you for your continued support.

Dean MacDonald

Interim Chief Executive Officer and Executive Chairman

Management's Discussion and Analysis

May 8, 2018

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") as at and for the three months ended March 31, 2018. This MD&A should be read in conjunction with ClearStream's condensed interim consolidated financial statements and notes thereto as at and for the three months ended March 31, 2018 (the "Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2017 and 2016 (the "Annual Financial Statements").

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The Interim Financial Statements have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated May 8, 2018 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. See "Non-Standard Measures" on page 4

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.

Notes: 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 period ending March 31, 2018.

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 2017 Annual Information Form dated February 28, 2018, 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.

First Quarter 2018 Performance

Summary Results ($000's)

Three months ended March 31,	2018	2017
Revenues	$ 84,794	$ 77,689
Cost of revenues	(77,975)	(71,149)
Gross profit	6,819	6,540
Selling, general and administrative expenses	(4,675)	(4,528)
Stock based compensation	(79)	(309)
Amortization expense	(757)	(863)
Depreciation expense	(1,161)	(1,231)
Income from equity investments	32	37
Interest expense	(3,748)	(5,032)
Gain on sale of assets held for sale	1,032	123
Restructuring costs	(60)	(277)
Gain on sale of property, plant and equipment	52	1,917
Other loss	(282)	-
Net loss from continuing operations	(2,827)	(3,623)
Add:		
Amortization	757	863
Depreciation	1,161	1,231
Stock based compensation	79	309
Interest expense	3,748	5,032
EBITDAS	2,918	3,812
Gain on sale of assets held for sale	(1,032)	(123)
Restructuring costs	60	277
Gain on sale of property, plant and equipment	(52)	(1,917)
Other loss	282	-
Adjusted EBITDAS	2,176	2,049

Selected Balance Sheet Accounts		
As at	March 31, 2018	December 31, 2017
Total assets	$ 136,568	$ 132,643
ABL facility	24,500	27,500
Senior secured debentures	96,581	171,988
Convertible secured debentures	962	24,999
Shareholders' deficit	(29,665)	(138,888)

First Quarter 2018 results

Revenues for the three months ended March 31, 2018 were $84,794, compared to $77,689 for the same period in 2017, an increase of 9.1%. The increase was due largely to increased demand in the Fort McMurray region including the commencement of a large turnaround project in March of 2018.

Gross profit for the three months ended March 31, 2018 was $6,819, compared to $6,540 for the same period in 2017; gross margins were 8.0% compared to 8.4% for the same period in 2017. Gross margins declined on a year-over-year basis as lower margins for the Wear and Fabrication segment more than offset slightly higher margins for maintenance and construction.

Selling, general and administrative ("SG&A") costs for the three months ended March 31, 2018 were $4,675 compared to $4,528 for the same period in 2017 and remained relatively consistent on a year-over-year basis. As a percentage of revenue, SG&A costs have declined to 5.5% from 5.8% for the three months ended March 31, 2018.

For the three months ended March 31, 2018, adjusted EBITDAS was $2,176, compared to $2,049 for the same period in 2017.

Depreciation and amortization expense was consistent with the same period in 2017 and was $1,918 for the three months ended March 31, 2018, compared to $2,094 in the prior year. For the three months ended March 31, 2018, interest expense was $3,748 compared to $5,032 for the same period in 2017. The change in interest expense relates to the net impact of refinancing initiatives that were completed during the first quarter of 2018 where long-term debt was reduced through the refinancing that was completed in January 2018. The loss from continuing operations was $2,988 for the three months ended March 31, 2018, compared to the loss from continuing operations of $3,623 for the same period in 2017.

Significant First Quarter 2018 Transactions

Refinancing Transaction

On January 16, 2018, ClearStream announced the completion of a refinancing transaction whereby Canso Investment Counsel Ltd. ("Canso"), one of the Company's major shareholders, exchanged a certain amount of ClearStream's debt for a newly created series of Preferred Shares and subscribed for additional Preferred Shares on a private placement basis.

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

As part of the refinancing transaction, Canso exchanged $75,000 of Senior Secured Debentures due 2026 for 75,000 preferred shares, and $33,565 of Convertible Secured Debentures for 33,565 Preferred Shares. Additionally, ClearStream issued 19,000 Preferred Shares to Canso for proceeds of $19,000 on a private placement basis. The proceeds of the private placement were used to fund the interest obligations related to the Senior Secured Debentures and Convertible Secured Debentures. As part of the refinancing transaction, ClearStream's ABL facility was amended and restated.

Sale of Transportation Assets

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

Segment Operating Results

Maintenance and Construction Services

Three months ended March 31,	2018	2017
Revenues	$ 69,258	$ 59,208
Cost of revenues	(65,553)	(56,770)
Gross profit	3,705	2,438
Selling, general and administrative expenses	(255)	(335)
Amortization expense	(600)	(609)
Depreciation expense	(795)	(563)
Income from equity investments	32	37
Interest expense	(52)	(50)
Gain on sale of property, plant and equipment	30	1,916
Income from continuing operations	$ 2,065	$ 2,834
Add:		
Amortization	600	609
Depreciation	795	563
Interest expense	52	50
EBITDAS	$ 3,512	$ 4,056
Gain on sale of property, plant and equipment	(30)	(1,916)
Adjusted EBITDAS	$ 3,482	$ 2,140

Revenues

Revenues for the Maintenance and Construction Services segment were $69,258 for the three months ended March 31, 2018 compared to $59,208 for the same periods in the prior year, an increase of 17.0%. For the first quarter of 2018, revenues benefitted from an increase in maintenance demand in the Fort McMurray region driven largely by the commencement of a large facility turnaround in March.

Gross Profit

Gross profit was $3,705 for the three months ended March 31, 2018, compared with $2,438 for the same period in the prior year. Gross profit margin for the period was 5.3% compared to 4.1% in 2017. The increase in margins was due to higher operating leverage on our fixed cost structure combined with cost and efficiency improvements that reduced cost of revenues. These factors were partially offset by declines in pricing.

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

SG&A expenses for the Maintenance and Construction segment were $255 for the three months ended March 31, 2018, compared with $335 for the same period in the prior year. For the three months ended March 31, 2018, SG&A costs are slightly down compared to the prior period, despite the 17% increase in revenue.

Fabrication, Wear Technology and Transportation Services

Three months ended March 31,	2018	2017
Revenues	$ 15,549	$ 18,896
Cost of revenues	(12,435)	(14,794)
Gross profit	3,114	4,102
Selling, general and administrative expenses	(122)	(183)
Other loss	(282)	-
Amortization expense	(157)	(254)
Depreciation expense	(314)	(587)
Interest expense	(10)	(56)
Gain on sale of property, plant and equipment	10	1
Gain on sale of assets held for sale	1,032	-
Income from continuing operations	$ 3,271	$ 3,023
Add:		
Amortization	157	254
Depreciation	314	587
Interest expense	10	56
EBITDAS	$ 3,752	$ 3,920
Other loss	$ 282	
Gain on sale of property, plant and equipment	(10)	(1)
Gain on sale of assets held for sale	(1,032)	-
Adjusted EBITDAS	$ 2,992	$ 3,919

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

Financial Results Excluding Transportation

Three months ended March 31,	2018	2017
Revenues	$ 15,549	$ 15,774
Cost of revenues	(12,435)	(11,756)
Gross profit	3,114	4,018
Selling, general and administrative expenses	(122)	(118)
Adjusted EBITDAS	$ 2,992	$ 3,900

Revenues

Excluding the transportation division, revenues for this segment were $15,549 for the three months ended March 31, 2018, compared to $15,774 for the same period in the prior year. Increased revenue for wear technology services was partially offset by a decline in fabrication revenue. Demand for fabrication services continues to be negatively impacted by a lack of new oil and gas project activity in Alberta.

Gross Profit

Gross profit was $3,114 for the three months ended March 31, 2018, compared with $4,018 for the same period in the prior year. Gross profit margin for the period decreased to 20.0% compared to 25.5% in 2017 due to a decline in pricing for fabrication services combined with unfavorable changes in customer mix.

SG&A Expenses

SG&A expenses for the Fabrication and Wear Technology segment for the three months ended March 31, 2018, were largely consistent with the same period in the prior year.

The other loss of $282 relates to losses on a contract that was deemed to be onerous under IFRS after the sale of the transportation assets.

Corporate

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

Three months ended March 31,	2018	2017
Selling, general administrative expenses	$ (4,298)	$ (4,010)
Stock based compensation	(79)	(309)
Depreciation expense	(52)	(81)
Interest expense	(3,686)	(4,926)
Gain from assets held for sale	-	123
Restructuring costs	(60)	(277)
Gain on sale of property, plant and equipment	12	-
Loss from continuing operations	$ (8,163)	$ (9,480)
Add:		
Depreciation expense	52	81
Stock based compensation	79	309
Interest expense	3,686	4,926
EBITDAS	$ (4,346)	$ (4,164)
Gain from assets held for sale	-	(123)
Restructuring costs	60	277
Gain on sale of property, plant and equipment	(12)	-
Adjusted EBITDAS	$ (4,298)	$ (4,010)

SG&A expenses were $4,298 for the three months ended March 31, 2018 compared to $4,010 for the same period in the prior year. SG&A costs increased slightly on a year-over-year basis due to higher employee costs.

Discontinued Operations

Three months ended March 31,	**2018**	**2017**
Loss from discountinued operations	$ (187)	$ (370)

The loss from discontinued operations is due to 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.

Liquidity and Capital Resources

Cash Flow

The following table summarizes the major consolidated cash flow components:

Three months ended March 31,	2018	2017
Cash used in operating activities	$ (11,232)	$ (11,329)
Cash provided by investing activites	2,251	561
Cash provided by financing activities	4,332	1,245
Consolidated (Bank indebtedness) cash	(1,689)	1,980

Operating Activities

Cash used in operating activities during the first quarter of 2018 consists largely of the net loss for the period combined with an increase in working capital of $9,263. The rise in working capital is consistent with the increase in operating activity relative to the comparative period.

Investing Activities

Proceeds of $3,400 from the sale of transportation assets comprise the majority of the cash provided by investing activities. The company repaid $2,340 of the senior secured debentures with a portion of the proceeds on sale. The remaining cash from the sale was used to fund transaction costs and costs associated with closing down the transportation division.

Financing Activities

See a description of the refinancing transaction completed during the quarter under "Significant First Quarter 2018 Transactions." In addition, the Company received $8,000 that is currently being held in a restricted account and will be used to fund interest obligations during 2018. The Company also incurred approximately $3,681 in transaction costs associated with the refinancing transaction.

The company reduced the outstanding balance on the ABL facility by $3,000 during the first quarter of 2018 and paid $428 in capital lease obligations. At March 31, 2018, the ABL borrowing base is $41,023 leaving $16,523 of availability on the facility.

The financial covenants applicable under the ABL Facility are as follows:

- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning on May 1, 2017 and ending on the last day of each month until March 31, 2018;
- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.0:1.0 for each twelve month period ending on and after April 30, 2018; and
- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding $6,500 during any fiscal year.

The Fixed Charge Coverage Ratio is defined as follows:

- EBITDA less cash taxes paid, dividends paid and capital expenditures;
  divided by:
- Debt servicing costs, which is the interest paid or payable on all debt balances for the relevant period (not including the amortization of deferred financing costs and accretion) plus finance lease payments (excluding any interest paid using proceeds from the preferred share issuance in January 2018);

At March 31, 2018, ClearStream's fixed charge coverage ratio was 1.1:1.0 for the cumulative period beginning on May 1, 2017 and ending on March 31, 2018. ClearStream was in compliance with all financial covenants under the ABL Facility as at March 31, 2018.

At each reporting date, management makes an assessment as to whether ClearStream will continue to meet the going concern assumption over the next twelve months. Making this assessment requires significant judgment with respect to forecasted EBITDA and Debt Servicing Costs. Based on management's current forecast, ClearStream is expected to remain in compliance with the covenants under the ABL Facility over the next twelve months. However, there is a risk that the Company will not meet forecasted expectations and therefore breach financial covenants during the year ended March 31, 2019.

Critical Accounting Policies and Estimates

ClearStream prepares its consolidated financial statements in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the consolidated financial statements, including use of estimates and judgements, are described in note 1 of the annual financial statements.

New standards, interpretations and amendments adopted by the Company

IFRS 9 Financial Instruments

On January 1, 2018, ClearStream adopted IFRS 9 Financial Instruments. IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on ClearStream's consolidated financial statements.

IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. Upon adoption of IFRS 9, ClearStream has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Financial instruments

Financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured based on their classification as described below:

- Fair value through profit or loss ("FVTPL"): Financial instruments under this classification include cash and restricted cash
- Amortized cost: Financial instruments under this classification include accounts receivable, accounts payable, ABL Facility, senior secured debentures and convertible secured debentures

IFRS 15 Revenue from Contracts with Customers

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

The Company has revised the description of its accounting policy for revenue recognition as follows:

Revenue recognition

Maintenance and Construction services revenue includes revenue from contracts entered into to provide maintenance and construction services to various industries, including energy, mining, agriculture, pulp and paper and petrochemical. The majority of the revenue within the Maintenance and Construction segment relates to contracts with customers to perform services based on cost plus an agreed-upon margin.

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

Revenue from the sale of services

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

Revenue from the sale of goods

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

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

Earn-out assets

Earn-out assets arise as a result of contingent consideration received in an asset sale and are, by their nature, variable consideration arising from contracts with customers. ClearStream uses either the "expected value" or "most likely method" to measure variable consideration related to earn-out assets depending on the contractual terms of the contingent consideration. Variable consideration is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (i.e. the variable consideration constraint).

Transition adjustment

The Company has elected to adopt IFRS 15 using the modified retrospective approach. Accordingly, the cumulative effect of initially applying IFRS 15 was recognized on January 1, 2018 as an adjustment to deficit. There were no adjustments recorded to deficit related to the timing or amounts of revenue recognized; however, ClearStream recorded an adjustment upon adoption of IFRS 15 of approximately $950 as a decrease to earn-out assets and an increase to deficit. Comparative information has not been restated and is reported under the previous revenue standard, IAS 18 Revenue.

New standards and interpretations not yet adopted

IFRS 16 Leases provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will commence its assessment of the impact of adoption of IFRS 16 in the second quarter of 2018.

Summary of Quarterly Results

($000s except per share amounts)

	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2
Revenues	$ 84,794	$ 81,972	$ 85,927	$ 111,559	$ 77,689	$ 72,913	$ 67,773	$ 61,335
Gross Margin	6,819	6,171	6,635	11,073	6,540	7,305	6,824	5,465
Gross Margin %	8.0%	7.5%	7.7%	9.9%	8.4%	10.0%	10.1%	8.9%
Net loss from continuing operations	(2,988)	(21,207)	(6,120)	(1,510)	(3,623)	(6,829)	(4,625)	(5,391)
Net loss	(3,175)	(22,345)	(6,170)	(3,397)	(3,993)	(12,858)	(5,339)	(6,716)
Loss per share from continuing operations	(0.03)	(0.19)	(0.06)	(0.01)	(0.03)	(0.06)	(0.04)	(0.05)
Loss per share	(0.03)	(0.20)	(0.06)	(0.03)	(0.04)	(0.12)	(0.05)	(0.06)

ClearStream's revenues are somewhat seasonal, in particular for the Maintenance and Construction segment. Typically there are scheduled shutdown turnaround projects in the spring and fall which increases revenues over and above the standard maintenance and operational support services. Gross margin percentage fluctuations by quarter are usually a function of revenue mix.

The gross margin reductions that began in the fourth quarter of 2016 are reflective of a decrease in business volumes and price reductions granted to customers as a result of decreased oil and gas prices. In addition, ClearStream's revenue was negatively impacted in the second and third quarters of 2016 as a result of the impact of the Fort McMurray wildfires on ClearStream's business.

Transactions with Related Parties

Ownership

As of March 31, 2018, 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 (2017 - $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, 127,565,000 preferred shares issued and outstanding, 3,160,000 stock options outstanding and 1,740,000 performance share units outstanding.

Outlook

Demand for ClearStream's services is typically strong during the second quarter when many oil and gas facilities undergo significant maintenance. ClearStream has several facility maintenance projects scheduled for the second quarter of 2018 and revenue is expected to increase significantly compared to the first quarter of 2018.

With recent improvements in oil prices, demand for ClearStream's services is expected to increase in 2018 compared to 2017 as our clients slowly increase maintenance budgets to uphold production levels. However, ClearStream's business remains very competitive as more service companies are focused on increasing exposure to maintenance related service lines. Under this competitive landscape, pricing is not expected to increase during 2018 and profit margins are expected to remain at current levels.

ClearStream will continue to focus on the key aspects of our business including safety, quality, recruiting, and cost control. We remain confident that a focus on strong execution will lead to improved financial results in 2018.

Risk Factors

There are no updates to ClearStream's risk factors. For further discussion, refer to ClearStream's MD&A or AIF dated February 28, 2018 for the year ended December 31, 2017.

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, 2017 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by ClearStream in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended. The CEO and CFO have certified the appropriateness of the financial disclosures in ClearStream's filings for the quarter ended March 31, 2018 with securities regulators, including this MD&A and the accompanying audited consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

Internal control over financial reporting

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

There have been no changes in internal controls over financial reporting during the quarter ended March 31, 2018 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

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

Additional Information

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

CLEARSTREAM ENERGY SERVICES INC.

Condensed Consolidated Interim Financial Statements of

Three Months Ended March 31, 2018 and 2017

(Unaudited)

CLEARSTREAM ENERGY SERVICES INC.

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

As at	March 31, 2018	December 31, 2017
Cash	$ -	$ 4,649
Restricted cash (note 2)	8,980	980
Accounts receivable (note 13)	72,287	66,177
Inventories	4,441	4,304
Prepaid expenses and other	1,897	2,989
Earn-out assets (note 3)	1,500	1,277
Assets held for sale (note 4)	-	2,506
Total current assets	89,105	82,882
Property, plant and equipment (note 5)	20,259	20,657
Goodwill and intangible assets	25,990	26,765
Earn-out assets (note 3)	-	1,173
Long-term investments	607	575
Deferred financing costs (note 6)	607	591
Total assets	**$ 136,568**	**$ 132,643**
Bank indebtedness	$ 1,689	$ -
Accounts payable and accrued liabilities	33,237	36,276
Deferred revenue	148	146
Current portion of obligations under finance leases	1,359	1,462
Current liabilities of assets held for sale (note 4)	-	1,197
ABL facility (note 6)	24,500	27,500
Senior secured debentures (note 6)	-	171,988
Convertible secured debentures (note 6)	-	24,999
Current portion of provision (note 7)	1,148	1,196
Total current liabilities	62,081	264,764
Provision (note 7)	4,286	4,582
Obligations under finance leases	2,323	2,185
Senior secured debentures (note 6)	96,581	-
Convertible secured debentures (note 6)	962	-
Total liabilities	166,233	271,531
Common shares	462,036	469,030
Preferred shares (note 8)	102,130	-
Contributed surplus	21,169	2,958
Deficit	(615,000)	(610,876)
Total shareholders' deficit	(29,665)	(138,888)
Total liabilities and shareholders' deficit	**$ 136,568**	**$ 132,643**

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

CLEARSTREAM ENERGY SERVICES INC.

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

Three months ended	March 31, 2018	March 31, 2017
Revenue	$ 84,794	$ 77,689
Cost of revenue	(77,975)	(71,149)
Gross profit	6,819	6,540
Selling, general and administrative expenses (note 9)	(4,675)	(4,528)
Stock based compensation (note 12)	(79)	(309)
Amortization of intangible assets	(757)	(863)
Depreciation (note 5)	(1,161)	(1,231)
Income from equity investment	32	37
Interest expense	(3,748)	(5,032)
Gain on sale of assets held for sale (note 4)	1,032	123
Restructuring costs	(60)	(277)
Other loss (note 7)	(282)	-
Gain on sale of property, plant and equipment	52	1,917
Loss from continuing operations before taxes	(2,827)	(3,623)
Income tax recovery (expense) - current	(161)	-
Loss from continuing operations	(2,988)	(3,623)
Loss from discontinued operations (net of income taxes)	(187)	(370)
Net loss and comprehensive loss	$ (3,175)	$ (3,993)
Loss per share (note 11)		
Basic & diluted:		
Continuing operations	$ (0.03)	$ (0.03)
Discontinued operations	$ (0.00)	$ (0.00)
Net loss	$ (0.03)	$ (0.04)

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	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
Balance - December 31, 2017	109,941,241	$ 469,030	$ -	$ 2,958	$ (610,876)	$ (138,888)
Net loss	-	-	-	-	(3,175)	(3,175)
Stock based compensation	-	-	-	99	-	99
Issuance of preferred shares (note 8)	-	-	102,130	-	-	102,130
Equity component of convertible debentures (note 6)	-	(6,994)	-	6,994	-	-
Gain on debt extinguishment (note 6)	-	-	-	11,118	-	11,118
Impact of transition to IFRS 15 (note 1)	-	-	-	-	(949)	(949)
Balance - March 31, 2018	109,941,241	462,036	102,130	21,169	(615,000)	$ (29,665)

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

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

CLEARSTREAM ENERGY SERVICES INC.

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

Three months ended	March 31, 2018	March 31, 2017
Operating activities:		
Net loss for the period	$ (3,175)	$ (3,993)
Loss from discontinued operations (net of income tax)	187	370
Items not affecting cash:		
Stock based compensation	79	206
Amortization of intangible assets	757	863
Depreciation	1,161	1,231
Income from equity investments	(32)	(37)
Accretion expense	534	187
Other loss	282	-
Onerous lease payments (note 7)	(642)	-
Amortization of deferred financing costs	151	144
Gain on sale of assets held for sale	(1,032)	(123)
Gain on sale of property, plant and equipment	(52)	(1,917)
Changes in non-cash working capital	(9,263)	(8,260)
Cash used in discontinued operations	(187)	-
Total cash used in operating activities	$ (11,232)	$ (11,329)
Investing activities:		
Purchase of property, plant and equipment	(265)	(1,322)
Net proceeds on disposal of property, plant and equipment	176	2,578
Purchase of intangible assets	-	(49)
Proceeds on the disposition of businesses (note 4)	3,400	-
Transaction costs (note 4)	(1,060)	-
Changes in non-cash working capital	-	(646)
Total cash provided by investing activities	$ 2,251	$ 561
Financing activities:		
Increase in restricted cash (note 2)	(8,000)	-
Increase in bank indebtedness	1,689	-
Proceeds from the issuance of preferred shares (note 8)	19,000	-
Repayment of senior secured debentures	(2,340)	-
Refinancing fees (note 6)	(3,681)	-
Advance (repayment) on ABL facility	(3,000)	2,250
Repayment of obligations under finance leases	(428)	(1,005)
Changes in non-cash working capital	1,092	-
Total cash provided by financing activities	$ 4,332	$ 1,245
Decrease increase in cash	(4,649)	(9,523)
Cash, beginning of the period	4,649	11,503
Cash, end of period	$ -	$ 1,980

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

ClearStream Energy Services Inc. ("ClearStream" or the "Company") is a corporation formed pursuant to the Business Corporations Act (Ontario). The head office is located at 311-6th Avenue, Calgary, Alberta. ClearStream is a fully-integrated provider of midstream production services, which includes maintenance and turnarounds, facilities construction, welding and fabrication, with locations across Western Canada.

The condensed interim consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on May 8, 2018.

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 interim consolidated 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, 2017. These interim financial statements follow the same accounting policies and methods of computations as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policy discussed in part c) below.

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 presentation.

b) Recently Adopted Accounting Pronouncements

IFRS 9 Financial Instruments

On January 1, 2018, ClearStream adopted IFRS 9 *Financial Instruments*. IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on ClearStream's consolidated financial statements.

IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. Upon adoption of IFRS 9, ClearStream has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Financial instruments

Financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured based on their classification as described below:

- Fair value through profit or loss ("FVTPL"): Financial instruments under this classification include cash and restricted cash
- Amortized cost: Financial instruments under this classification include accounts receivable, accounts payable, ABL Facility, senior secured debentures and convertible secured debentures

IFRS 15 Revenue from Contracts with Customers

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

The Company has revised the description of its accounting policy for revenue recognition as follows:

Revenue recognition

Maintenance and Construction services revenue includes revenue from contracts entered into to provide maintenance and construction services to various industries, including energy, mining, agriculture, pulp and paper and petrochemical. The majority of the revenue within the Maintenance and Construction segment relates to contracts with customers to perform services based on cost plus an agreed-upon margin.

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

Revenue from the sale of services

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

Revenue from the sale of goods

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

Transfer of control is measured utilizing an input method to measure progress for contracts based on an analysis of costs incurred to date compared to total estimated costs. These costs, once incurred, are considered a measure of progress and are expensed in the period in which they are incurred. Total estimated project costs and resulting contract income are affected by changes in the expected cost of materials and labor, productivity, scheduling and other factors.

Additionally, external factors such as customer requirements and other factors outside of ClearStream's control may affect the progress and estimated cost of a project's completion and, therefore, the timing and amount of revenue and income recognition. Changes in total estimated contract cost and losses, if any, are recognized in the period they are determined.

Earn-out assets

Earn-out assets arise as a result of contingent consideration received in an asset sale and are, by their nature, variable consideration arising from contracts with customers. ClearStream uses either the "expected value" or "most likely method" to measure variable consideration related to earn-out assets depending on the contractual terms of the contingent consideration. Variable consideration is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (i.e. the variable consideration constraint).

Transition adjustment

The Company has elected to adopt IFRS 15 using the modified retrospective approach. Accordingly, the cumulative effect of initially applying IFRS 15 was recognized on January 1, 2018 as an adjustment to deficit. There were no adjustments recorded to deficit related to the timing or amounts of revenue recognized; however, ClearStream recorded an adjustment upon adoption of IFRS 15 of approximately $950 as a decrease to earn-out assets and an increase to deficit. Comparative information has not been restated and is reported under the previous revenue standard, IAS 18 *Revenue*.

c) New Standards and Interpretations Not Yet Adopted

IFRS 16 Leases provides an updated definition of a lease contract, including guidance on the combination and separation of contracts. The standard requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. The accounting for lessors is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will commence its assessment of the impact of adoption of IFRS 16 in the second quarter of 2018.

2. Restricted cash

At March 31, 2018, the Company had $8,980 in restricted cash (December 31, 2017 - $980). Of this total, approximately $8,000 represents a portion of the proceeds from the issuance of preferred shares during the three months ended March 31, 2018 (refer to Note 8) and is held in trust with a Canadian Schedule A Bank. This cash can only be used by the Company to pay interest on the senior secured debentures and convertible secured debentures during the year ended December 31, 2018 and is therefore classified as restricted. The remaining $980 is backing letters of credit and cash in trust held on behalf of insurance providers.

3. Earn-out assets

a) Gusgo Transport LP ("Gusgo") earn-out

As a result of the sale of its 80% interest in Gusgo in March 2016, ClearStream is entitled to an earn-out of $1,500 if a customer of Gusgo exercises its option to renew an existing contract at December 31, 2018. The variable consideration available to ClearStream as a result of the Gusgo earn-out was measured at March 31, 2018 using the "most likely method" of $1,500 (December 31, 2017 - $1,277). The Gusgo earn-out was classified as a current earn-out asset at March 31, 2018 and December 31, 2017.

b) Quantum Murray and Titan earn-out

As a result of the sale of the majority of the net assets of Quantum Murray and Titan in March 2016, ClearStream is entitled to an earn-out of up to approximately $6,200 if certain pre-determined free cash flow targets are achieved for the years ended March 31, 2019, 2018 and 2017. For the 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. ClearStream has not yet received the financial results for Quantum Murray for the year ended March 31, 2018.

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

4. Assets held for sale

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

5. Property, plant and equipment

During the three months ended March 31, 2018, the Company acquired assets with a cost of $917 (three months ended March 31, 2017 - $1,449), which includes equipment under finance leases of $652 (three months ended March 31, 2017 - $124).

Cost as at January 1, 2018	$ 69,843
Additions	917
Disposals	(430)
Cost as at March 31, 2018	$ 70,330
Accumulated depreciation as at January 1, 2018	$ (49,186)
Depreciation	(1,161)
Disposals	276
Accumulated depreciation as at March 31, 2018	$ (50,071)
Net book value, January 1, 2018	$ 20,657
Net book value, March 31, 2018	$ 20,259

As at March 31, 2018, property, plant and equipment included $14,509 (December 31, 2017 - $11,070) that was subject to a general security agreement under the senior secured debentures and the convertible secured debentures.

6. 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 March 31, 2018 is $41,023 (December 31, 2017 - $34,629). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The ABL Facility contains and provides for certain covenants, such as the maintenance of fixed charge coverage ratios, financial reporting and events of default as are customary in transactions of this nature. The interest rate on the ABL Facility is prime plus 2.5%, increasing to prime plus 4% if the ABL Facility is more than 50% drawn.

As at March 31, 2018, $24,500 (December 31, 2017 - $27,500) was drawn on the ABL Facility, leaving $16,523 of availability on the ABL Facility (December 31, 2017 - $7,129). The Company incurred $1,727 in deferred financing fees associated with the ABL Facility in 2016 and an additional $167 in fees in 2018. These costs are being amortized over the term of the facility. As at March 31, 2018, the net unamortized amount of deferred financing costs was $607 (December 31, 2017 - $591).

The financial covenants applicable under the ABL Facility are as follows:

- ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period beginning on May 1, 2017 and ending on the last day of each month until March 31, 2018;
- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.0:1.0 for each twelve month period ending on and after April 30, 2018; and
- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding $6,500 during any fiscal year.

The Fixed Charge Coverage Ratio is defined as follows:

- Earnings before interest, taxes, depreciation and amortization excluding non-cash gains or losses and non-recurring items at the discretion of the lenders ("EBITDA") less cash taxes paid, dividends paid and capital expenditures;

divided by:

- Debt servicing costs, which is the interest paid or payable on all debt balances for the relevant period (not including the amortization of deferred financing costs and accretion) plus finance lease payments (excluding any interest paid using proceeds from the preferred share issuance in January 2018 (refer to Note 8)

At March 31, 2018, ClearStream's fixed charge coverage ratio was 1.1:1.0 for the cumulative period beginning on May 1, 2017 and ending on March 31, 2018. ClearStream was in compliance with all financial covenants under the ABL Facility as at March 31, 2018.

At each reporting date, management makes an assessment as to whether ClearStream will continue to meet the going concern assumption over the next twelve months. Making this assessment requires significant judgment with respect to forecasted EBITDA and Debt Servicing Costs. Based on management's current forecast, ClearStream is expected to remain in compliance with the covenants under the ABL Facility over the next twelve months. However, there is a risk that the Company will not meet forecasted expectations and therefore breach financial covenants during the year ended March 31, 2019.

b) Senior Secured Debentures

On March 23, 2016, the Company issued an aggregate of $176,228 principal amount of senior secured debentures to Canso Investment Counsel Ltd. ("Canso") on a private placement basis.

The Senior Secured Debentures bear interest at an annual rate of 8.00% payable semi-annually in arrears on June 30 and December 31 in each year. The maturity date of the Senior Secured Debentures is March 23, 2026. The Senior Secured Debentures are redeemable at the option of the Company and, in certain circumstances, are mandatorily redeemable. The Senior Secured Debentures are secured by first-ranking liens over all of the property of the Company and its guarantor subsidiaries, other than certain limited classes of collateral over which the Company has granted a prior-ranking lien in favour of the ABL Agent which secures the Company's obligations under the ABL Facility. The Senior Secured Debentures provide for certain events of default and covenants of the Company which are customary for transactions of this nature, including financial and reporting covenants and restrictive covenants limiting the ability of the Company and its subsidiaries to make certain distributions and dispositions, incur indebtedness, grant liens and limitations with respect to acquisitions, mergers, investments, non-arm's length transactions, reorganizations and hedging arrangements (subject to certain exceptions).

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

On January 16, 2018, as part of a refinancing transaction, the Company exchanged $75,000 of the Senior Secured Debentures due 2026 for 75,000 Preferred Shares (refer to Note 8). This was accounted for as an extinguishment of a portion of the senior secured debentures, whereby the difference between the carrying amount of those exchanged debentures and the fair value of the preferred shares issued was recognized within contributed surplus due to the conclusion that the holders of the senior secured debentures were acting within their capacity as shareholders for purposes of the transaction. Transaction costs incurred on the restructuring (including the extinguishment of the convertible secured debentures as described in Note 6(c)) of approximately $3,513 were also recorded within contributed surplus, consistent with the treatment of the gain of approximately $11,118.

During the three months ended March 31, 2018, the Company repaid $2,340 of Senior Secured Debentures with a portion of the consideration received from the sale of the assets of the Transportation CGU (Note 4).

Balance at December 31, 2017		171,988
Accretion		338
Extinguishment of debt, net of deferred financing fees		(73,460)
Debt repayment, net of deferred financing fees		(2,285)
Balance at March 31, 2018	$	96,581

c) Convertible Secured Debentures

On March 23, 2016, the Company issued an aggregate of $25,000 principal amount of convertible secured debentures to Canso and an additional $10,000 principal amount of convertible debentures pursuant to a rights offering, a portion of which were also issued to Canso.

The Convertible Secured Debentures bear interest at an annual rate of 10.00% payable semi-annually in arrears on June 30 and December 31 in each year. The Company may elect to satisfy any interest payment obligation by issuing additional Convertible Secured Debentures which will be subject to the same terms and conditions as previously issued Convertible Secured Debentures. The maturity date of the Convertible Secured Debentures is March 23, 2026. The Company may redeem the Convertible Secured Debentures, in whole or in part from time to time, after March 23, 2021. The Convertible Secured Debentures are convertible into common shares of the Company at an initial conversion price of $0.35 per common share (subject to adjustment in certain circumstances). The Convertible Secured Debentures are secured by liens over all of the property of the Company and its guarantor subsidiaries, other than property over which security has been granted in favour of the ABL Agent in respect of the ABL Facility. The security granted in connection with the Convertible Secured Debentures is subordinate to the security granted in connection with the Senior Secured Debentures. The Convertible Secured Debentures provide for events of default and covenants of the Company which are customary for transactions of this nature substantially similar to the events of default and covenants provided in respect of the Senior Secured Debentures.

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

On January 16, 2018, as part of a refinancing transaction, the Company exchanged convertible secured debentures with a principal amount of $33,565 (of which $25,743 was applied to the liability component) for 33,565 Preferred Shares (refer to Note 8). This was accounted for as an extinguishment of a portion of the convertible secured debentures, whereby the difference between the carrying amount of those exchanged debentures and the fair value of the preferred shares issued was recognized within contributed surplus due to the conclusion that the holders of the senior secured debentures were acting within their capacity as shareholders for purposes of the transaction. Transaction costs on the restructuring (including the extinguishment of the senior secured debentures as described in Note 6(b)) incurred of approximately $3,513 were also recorded within contributed surplus, consistent with the treatment of the gain of approximately $11,118.

Liability component of convertible secured debentures		
As at December 31, 2017	$	24,999
Accretion		180
Extinguishment of debt, net of deferred financing fees		(24,217)
As at March 31, 2018	$	962

7. Provision

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

Opening balance, at December 31, 2017	$	5,778
Changes in estimated future cash flows		107
Cash payments		(642)
Accretion		191
Balance at March 31, 2018	$	5,434

At March 31, 2018, $1,148 of the provision was classified as current (December 31, 2017 - $1,196).

8. Preferred shares

On January 16, 2018, ClearStream issued 108,565 preferred shares to Canso in exchange for the extinguishment of $75,000 principal amount senior secured debentures and $33,565 principal amount convertible secured debentures (refer to Notes 6(b) and (c)). An additional 19,000 preferred shares were issued on the same date to Canso in exchange for cash consideration of $19,000. The cash proceeds were used to fund the interest obligations related to the senior secured debentures and convertible secured debentures at December 31, 2017 of $8,799. The remaining cash proceeds will be used to fund transaction costs and $8,000 of interest accruing on the remaining outstanding debentures during the year ended December 31, 2018 which is classified as restricted cash at March 31, 2018 (refer to Note 2).

The preferred shares provide for a 10% fixed cumulative preferential dividend that is only required to be paid in cash upon sole determination by ClearStream's Board of Directors. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional preferred shares equal to $1,000 per preferred share. Holders of the preferred shares have the right, at their option, to convert their preferred shares into common shares at a price of

$0.35 per common share, subject to adjustment in certain circumstances. The preferred shares are redeemable by the Company in cash at 110% of the purchase price for such shares, plus accrued but unpaid dividends once all of the outstanding senior secured debentures have been repaid and are subject to repayment in the event of certain change of control transactions. As a result of the dividends being payable in cash only at the sole discretion of ClearStream's Board of Directors and the fact that any accrued but unpaid dividends are convertible into additional preferred shares at a fixed rate of $1,000 per preferred share, the preferred shares are accounted for within shareholders' equity.

Upon issuance, the preferred shares were measured at fair value of $800 per preferred share, which was estimated using a discounted cash flow methodology based on key assumptions including: length of time the preferred shares are expected to be outstanding before conversion, redemption and/or an alternative restructuring event; and the discount rate applied.

9. Selling, general & administrative expenses

Three months ended		March 31, 2018		March 31, 2017
Salaries & benefits	$	2,911	$	2,385
Occupancy costs		375		490
Professional Fees		457		388
Travel		282		336
Repairs & maintenance		163		187
Office		78		247
Insurance		287		335
Other		122		160
	$	4,675	$	4,528

10. Revenue

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

Three months ended		March 31, 2018		March 31, 2017
Rendering of services	$	66,382	$	59,403
Sales of goods		18,412		18,286
Total revenue	$	84,794	$	77,689

As at March 31, 2018, there was $7,346 (December 31, 2017 - $9,542) of accounts receivable recognized in excess of progress billings in accordance with revenue recorded following the percentage of completion method.

11. Loss per share

The following table sets forth the adjustments to the numerator and denominator for fully diluted loss per share:

Three months ended	March 31, 2018	March 31, 2017
Numerator:		
Net loss from continuing operations	(2,988)	(3,623)
Net loss from discontinued operations	(187)	(370)
Net loss	$ (3,175)	$ (3,993)
Denominator:		
Weighted average number of shares outstanding	109,941	109,941

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

12. Share Based Compensation

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

Stock Options

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

	Number of stock options	Weighted average exercise price
Balance as at January 1, 2017	-	-
Granted	6,560,000	0.28
Forfeited	(3,400,000)	0.28
Balance as at December 31, 2017 and March 31, 2018	3,160,000	0.28
Exerciseable as at December 31, 2017 and March 31, 2018	-	-

The options outstanding at March 31, 2018 have a weighted average remaining contractual life of 3.75 years (December 31, 2017 – 4.08 years). For the three months ended March 31, 2018, the Company recognized $62 of share based compensation expense relating to stock options (2017 - $148).

Restricted Share Units and Performance Share Units

RSUs vest based on service requirements over either two-year or three-year periods and are settled in cash by multiplying the numbers of units with the Company's share price based on the volume weighted-average trading price for the five trading days preceding the vesting date of the award. The fair value of the RSUs is based on the market value of the Company's common shares at the reporting date. As at March 31, 2018, the intrinsic value of the RSUs outstanding was $305 (December 31, 2017 - $392).

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

The following table summarizes the units outstanding:

	RSUs	PSUs
Balance as at January 1, 2017	-	-
Granted	5,510,000	4,070,000
Forfeited	(1,160,000)	(2,330,000)
Balance as at December 31, 2017 and March 31, 2018	4,350,000	1,740,000
Exerciseable as at December 31, 2017 and March 31, 2018	-	-

ClearStream's five day weighted average closing share price at March 31, 2018 was $0.07 (December 31, 2017 - $0.09). The weighted average remaining contractual life of the outstanding RSUs as at March 31, 2018 was 1.2 years (December 31, 2017 – 1.4 years). The weighted average remaining contractual life of the outstanding PSUs as at March 31, 2018, was 1.2 years (December 31, 2017 – 1.4 years). For the three months ended March 31, 2018, a recovery of $20 of share based compensation was recognized relating to RSUs (2017 – expense of $103) and $37 of share based compensation expense was recognized relating to PSUs (2017 – $58).

13. 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 or interest rate risk from December 31, 2017.

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	March 31, 2018	December 31, 2017
Cash	$ -	$ 4,649
Restricted Cash	8,980	980
Accounts Receivable	72,287	66,177
Earn-out assets	1,500	2,450
Total	$ 82,767	$ 74,256

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

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

Of the total balance of accounts receivable at March 31, 2018, $57,005 (December 31, 2017 - $49,344) related to trade receivables and $15,282 (December 31, 2017 - $16,833) related to accrued revenue (i.e. for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at March 31, 2018, approximately $3,729 of ClearStream's trade receivables had been outstanding longer than 90 days (December 31, 2017 - $2,272). Subsequent to March 31, 2018, the Company has collected $832 of this balance. Management has fully evaluated the outstanding receivables as at March 31, 2018 and has determined that the lifetime expected credit losses of the trade receivables was immaterial.

ii) Liquidity risk

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

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

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

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

14. 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 and Fabrication division specializes in the supply and fabrication 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.

Three months ended March 31, 2018	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenue	$ 69,258	$ 15,549	$ -	$ (13)	$ 84,794
Cost of revenues	(65,553)	(12,435)	-	13	(77,975)
Gross profit	3,705	3,114	-	-	6,819
Selling, general and administrative expenses	(255)	(122)	(4,298)	-	(4,675)
Stock based compensation	-	-	(79)	-	(79)
Amortization of intangible assets	(600)	(157)	-	-	(757)
Depreciation	(795)	(314)	(52)	-	(1,161)
Income from equity investment	32	-	-	-	32
Interest expense	(52)	(10)	(3,686)	-	(3,748)
Gain from assets held for sale	-	1,032	-	-	1,032
Restructuring costs	-	-	(60)	-	(60)
Other loss	-	(282)	-	-	(282)
Gain on sale of property, plant and equipment	30	10	12	-	52
Income (loss) before taxes	2,065	3,271	(8,163)	-	(2,827)
Income tax (expense) recovery - current	-	-	(161)	-	(161)
Income (loss) from continuing operations	$ 2,065	$ 3,271	$ (8,324)	$ -	$ (2,988)

Three months ended March 31, 2017	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	$ 59,208	$ 18,896	$ -	$ (415)	$ 77,689
Cost of revenues	(56,770)	(14,794)	-	415	(71,149)
Gross profit	2,438	4,102	-	-	6,540
Selling, general and administrative expenses	(335)	(183)	(4,010)	-	(4,528)
Stock based compensation	-	-	(309)	-	(309)
Amortization of intangible assets	(609)	(254)	-	-	(863)
Depreciation	(563)	(587)	(81)	-	(1,231)
Income from equity investment	37	-	-	-	37
Interest expense	(50)	(56)	(4,926)	-	(5,032)
Gain from assets held for sale	-	-	123	-	123
Restructuring costs	-	-	(277)	-	(277)
Gain on sale of property, plant and equipment	1,916	1	-	-	1,917
Income (loss) before taxes	2,834	3,023	(9,480)	-	(3,623)
Income tax (expense) recovery - current	-	-	-	-	-
Income (loss) from continuing operations	$ 2,834	$ 3,023	$ (9,480)	$ -	$ (3,623)