

CLEARSTREAM ENERGY SERVICES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2017

Message to Shareholders

2017 was a year of progress and resilience for ClearStream. Progress was made in expanding our service lines, growing into new geographic regions, protecting market share through major contract renewals, and increasing our customer base with new contract wins. These achievements were accomplished despite a challenging operating environment. Although maintenance and turnaround demand increased in 2017 relative to 2016, overall demand for our services remained constrained throughout most of the year due to a lack of new oil and gas project growth. The maintenance business also remained very competitive during 2017, which placed downward pressure on pricing for our core services. We were able to persevere in this difficult operating environment by providing safe, timely and cost effective services to our customers during 2017.

ClearStream expanded its geographic footprint by winning contracts in Saskatchewan and Newfoundland during 2017. In addition to these major contract wins, a two-year pipeline logistics and inspection contract and a three year operational workforce management contract were won in late 2017. These new contracts are expected to generate \$40 million of new revenue for ClearStream in 2018. ClearStream also expanded its service offering during 2017 by launching an environmental services division. This division provides project lifecycle consulting services for the land, environmental, regulatory, reclamation and remediation needs of our customers.

ClearStream was successful in protecting market share during 2017 as all expiring major contracts were renewed in 2017, including the renewal of a five year operational workforce management contract with a major oilsands producer in the Fort McMurray region. This contract is expected to generate approximately \$240 million of revenue over the five-year term of the contract.

In late 2017, management made a strategic decision to exit the transportation business. The sale of all transportation assets is expected to be completed in the first quarter of 2018. This sale will allow us to focus on our core strengths of Maintenance, Turnarounds, Workforce Management, Wear Technology, Fabrication and Environmental Services.

On January 16, 2018, ClearStream announced the completion of a refinancing transaction that will significantly improve balance sheet stability. As part of this transaction, \$108.6 million of long-term debt was exchanged for a newly created series of Preferred Shares. In addition, the Company issued \$19 million of Preferred Shares in exchange for cash proceeds that will be used to fund existing and future interest obligations.

We believe the refinancing transaction, combined with the successful completion of several strategic initiatives during 2017, positions ClearStream for continued growth in 2018.

Thank you for your continued support.



Dean MacDonald
Interim Chief Executive Officer and Executive Chairman
February 28, 2018

Management's Discussion and Analysis

February 28, 2018

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, balance sheets and cash flows of ClearStream for the years ended December 31, 2017, and 2016. This MD&A should be read in conjunction with ClearStream's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The accompanying audited annual consolidated financial statements of ClearStream have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated February 28, 2018 and is current to that date unless otherwise indicated.

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

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

Forward-looking information

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

Non-standard measures

The terms “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, intangible assets and property plant and equipment, restructuring costs, gain (loss) on sale of property, plant and equipment, and other non-cash transactions. 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-IFRS Measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-IFRS measures should only be used in conjunction with the financial statements included in the MD&A and ClearStream’s annual audited consolidated financial statements available on SEDAR at www.sedar.com or www.clearstreamenergy.ca.

REPORTABLE SEGMENTS

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, workforce management, 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 December 31, 2017.

2017 RESULTS – CONTINUING OPERATIONS

	2017	2016	2015
			Restated ¹
Revenue	\$ 357,147	\$ 270,661	\$ 416,122
Cost of revenue	(326,728)	(245,750)	(362,429)
Gross profit	30,419	24,911	53,693
Selling, general and administrative expenses	(18,866)	(17,382)	(22,362)
Share based compensation	(710)	-	-
Amortization of intangible assets	(3,445)	(3,376)	(5,651)
Depreciation	(5,264)	(6,625)	(8,681)
Income (loss) from equity investment	246	(169)	(508)
Interest expense	(21,474)	(21,259)	(24,948)
Gain (loss) on sale of assets held for sale	(570)	1,260	(6,379)
Restructuring costs	(1,414)	(1,471)	(7,454)
Impairment of property, plant and equipment, goodwill, and intangible assets	(7,685)	(8,700)	(47,301)
Other (loss) income	(5,778)	623	-
(Loss) gain on sale of property, plant and equipment	2,083	(728)	340
Income tax (expense) recovery - current	(2)	(21)	2,050
Income tax recovery - deferred	-	-	2,766
Loss from continuing operations	(32,460)	(32,937)	(64,436)
Add back:			
Share based compensation	710	-	-
Interest expense	21,474	21,259	24,948
Amortization of intangible assets	3,445	3,376	5,651
Depreciation	5,264	6,625	8,681
Income tax expense - current	2	21	(2,050)
Income tax recovery - deferred	-	-	(2,766)
EBITDAS	\$ (1,565)	\$ (1,656)	\$ (29,971)
Other loss	5,778	-	-
Impairment of property, plant and equipment, goodwill, and intangible assets	7,685	8,700	47,301
Gain (loss) on sale of assets held for sale	570	(1,260)	6,379
Restructuring costs	1,414	1,471	7,454
Adjusted EBITDAS	\$ 13,882	\$ 7,255	\$ 32,151
Loss per share			
Basic & Diluted:			
Continuing operations	\$ (0.30)	\$ (0.30)	\$ (0.59)
Net loss	\$ (0.30)	\$ (0.42)	\$ (1.14)

¹Adjusted for reclassification of selling, general and administrative expenses

Selected Annual Information			
As at December 31,	2017	2016	2015
Total Assets	\$ 132,643	\$ 134,842	\$ 253,538
Total Non-current Financial Liabilities	2,185	202,454	6,347
Shareholders' deficit	(138,888)	(103,514)	(65,056)

2017 RESULTS COMMENTARY

Revenues for the year ended December 31, 2017 were \$357,147 compared to \$270,661 in 2016 and \$416,122 in 2015, an increase of 32.0% from 2016 and a decrease of 14.2% from 2015. Increased revenues in 2017, in comparison to 2016, relate to increased maintenance and turnaround demand and higher revenue in the Fort McMurray region. The Fort McMurray forest fires in 2016 resulted in reduced oil sands activity during the second and third quarters of 2016 and negatively impacted revenue in 2016 on a comparative basis. Compared to 2015, 2017 revenues were down due to the impact of lower oil and gas prices that negatively impacted demand for all service lines in 2017.

Gross profit for the year ended December 31, 2017 was \$30,419 compared to \$24,911 in 2016 and \$53,693 in 2015. Gross profit margins were 8.5% compared to 9.2% in 2016 and 12.9% in 2015. The decline in gross profit margin in 2017, in comparison to 2016 and 2015, was largely due to reduced pricing which was necessary for customer retention in light of the competitive environment during 2017 and 2016. Furthermore, gross losses on two lump sum projects within the maintenance and construction division negatively impacted overall gross margins in 2017.

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2017 were \$18,866, in comparison to \$17,382 in 2016 and \$22,362 in 2015. SG&A costs were up by \$1,484 in 2017 relative to 2016 due largely to increased professional fees. As a percentage of revenue, SG&A costs decreased to 5.3% in 2017 compared to 6.4% in 2016. SG&A costs in 2017 and 2016 were lower than 2015 as significant cost reduction strategies were executed in 2016 in response to challenging market conditions.

Share based compensation expense of \$710 was recorded in 2017 and relates to the long-term incentive plans that were implemented by the Company in early 2017.

Depreciation and amortization was \$8,709 for the year ended December 31, 2017 compared to \$10,001 for 2016 and \$14,332 for 2015. The decrease in depreciation and amortization expense is primarily related to the significant write-down of definite life intangible assets and property, plant and equipment that was recorded at December 31, 2015, which resulted in a lower opening net book value for these assets in 2016 and 2017. In addition, ClearStream has lowered capital spending programs in response to the challenging market conditions, which has reduced the depreciable asset base in 2017 relative to 2016 and 2015.

For the year ended December 31, 2017, interest costs, excluding accretion expense, were \$20,525 compared with \$18,733 in 2016 and \$17,483 in 2015. The increase in interest expense in 2017 compared to 2016 relates to the drawdown on the Asset Based Lending (“ABL”) facility in the second half of 2017. The increase relative to 2015 is due to the net impact of debt restructuring initiatives that were completed in the first quarter of 2016 combined with the drawdown on the ABL facility in the second half of 2017. Non-cash accretion expense was \$856 for 2017 compared to \$2,526 for 2016 and \$7,465 for 2015. Accretion expense relates to the debentures, which were recorded at their fair value, less financing costs, and accrete up to their face value using the effective interest method over their term.

Restructuring costs of \$1,414 were recorded during 2017, in comparison to \$1,471 in 2016 and \$7,454 in 2015. These non-recurring restructuring costs are comprised of severance and location closure costs associated with right sizing and restructuring ClearStream’s business. Restructuring costs in 2017 also includes costs associated with the refinancing transaction that closed in early 2018.

A loss of \$5,778 was recognized at December 31, 2017 to provide for an onerous contract relating to the sale of the transportation division. Income of \$623 was recorded during 2016 for an advance from our insurance company for lost operating profits due to the Fort McMurray fires. Discussions with our insurance company continue to be on-going regarding the recovery of additional lost profits. The extent of additional recoveries, if any, is not known at this time.

Financial results for 2017 include a net gain on the sale of property, plant and equipment for \$2,083 which was largely attributable to the sale of two non-essential properties in the first quarter of 2017.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

	2017	2016
Revenue	\$ 286,433	\$ 222,995
Cost of revenue	(267,711)	(205,279)
Gross profit	18,722	17,716
Selling, general and administrative expenses	(1,977)	(1,921)
Amortization of intangible assets	(1,984)	(1,944)
Depreciation	(2,522)	(3,142)
Income from equity investment	246	122
Interest expense	(270)	(303)
Impairment of intangible assets	(7,108)	-
Other income	-	623
Gain on sale of property, plant and equipment	1,968	462
Income before taxes	\$ 7,075	\$ 11,613
Income tax expense - current	-	(59)
Income from continuing operations	7,075	11,554
Add back:		
Interest expense	270	303
Amortization of intangible assets	1,984	1,944
Depreciation	2,522	3,142
Income tax expense - current	-	59
EBITDA	\$ 11,851	\$ 17,002
Impairment of intangible assets	7,108	-
Adjusted EBITDAS	\$ 18,959	\$ 17,002

2016 Comparatives have been changed to conform to the current year presentation.

REVENUES

Revenues for the Maintenance and Construction Services segment were \$286,433 for the year ended December 31, 2017 compared with \$222,995 in the prior year, which reflects an increase of 28.4%. Year-over-year demand growth for maintenance, workforce management and turnaround services drove a large portion of the revenue increase. Maintenance and turnaround programs were deferred in 2016 due to a weak commodity price environment that led to lower cash flows for our customers. Demand for these services recovered in 2017 due to slight improvements in commodity prices combined with maintenance requirements that could no longer be deferred.

A portion of the year-over-year revenue increase can also be attributed to a recovery of activity in the Fort McMurray region as the 2016 wildfires had a significant and negative impact on the maintenance and construction division in 2016. Lost revenue in 2016 due to the wildfires was approximately \$25,000 for the Maintenance and Construction Services segment.

GROSS PROFIT

Gross profit for the Maintenance and Construction Services segment was \$18,722 for the year ended December 31, 2017 compared to \$17,716 in 2016. Gross profit margin was 6.5% compared to 7.9% in 2016. The decrease is due to a year-over-year decline in pricing combined with losses on certain lump sum contracts during 2017. These factors are partially offset by increased leverage on fixed costs due to the increase in revenue.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Maintenance and Construction Services segment's SG&A expenses were \$1,977 for the year ended December 31, 2017 compared to \$1,921 in 2016. SG&A expenses remained relatively consistent on a year-over-year basis and decreased slightly as a percentage of revenues from 0.9% to 0.7%.

WEAR, FABRICATION & TRANSPORTATION

	2017	2016
Revenue	\$ 72,824	\$ 49,349
Cost of revenue	(61,127)	(42,154)
Gross profit	11,697	7,195
Selling, general and administrative expenses	(778)	(621)
Amortization of intangible assets	(1,461)	(1,432)
Depreciation	(2,340)	(2,888)
Interest expense	(177)	(280)
Impairment of goodwill and intangible assets	(577)	(8,700)
Other loss	(5,778)	-
Gain on sale of property, plant and equipment	115	151
Income from continuing operations	701	(6,575)
Add back:		
Interest expense	177	280
Amortization of intangible assets	1,461	1,432
Depreciation	2,340	2,888
EBITDA	\$ 4,679	\$ (1,975)
Impairment of goodwill and intangible assets	577	8,700
Other loss	5,778	-
Adjusted EBITDAS	\$ 11,034	\$ 6,725

REVENUES

Revenues for Wear, Fabrication and Transportation segment were \$72,824 for the year ended December 31, 2017, compared to \$49,349 for the prior year, representing a 47.6% increase. Revenue increased within all three divisions of this segment with the largest year-over-year increase in the Wear division. The Wear division benefitted from a rise in year-over-year demand caused by improvements in commodity prices. In addition, Wear demand recovered in 2017 as demand had dropped in 2016 due to the impact of the 2016 Fort McMurray wildfires. Lost Wear revenue in 2016 due to the wildfires was estimated at \$5,000.

GROSS PROFIT

Gross profit for Wear, Fabrication and Transportation segment was \$11,697 for the year ended December 31, 2017, compared to \$7,195 for the prior year. Gross profit margin was 16.1% compared to 14.6% in 2016. Gross profit margins for this segment improved due to increased leverage on fixed costs from higher revenue. Cost reductions implemented in 2016 also favorably impacted this segment in 2017 through reduced indirect costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Wear, Fabrication and Transportation SG&A expenses were \$778 for the year ended December 31, 2017 compared to \$621 in 2016. The increase in SG&A is related to overhead increases that were needed in response to increased activity. SG&A expenses decreased as a percentage of revenue to 1.1% from 1.3%.

CORPORATE

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.

SUMMARY FINANCIAL TABLE (\$000s)

	2017	2016
Selling, general and administrative expenses	(16,111)	(14,840)
Share based compensation	(710)	-
Depreciation	(402)	(595)
Loss from equity investment	-	(291)
Interest expense	(21,027)	(20,676)
Gain (loss) on sale of assets held for sale	(570)	1,260
Restructuring costs	(1,414)	(1,471)
Gain on sale of property, plant and equipment	-	(1,341)
Income tax expense - current	(2)	(21)
Loss from continuing operations	(40,236)	(37,975)
Add back:		
Interest expense	21,027	20,676
Depreciation	402	595
Income tax expense - current	2	21
EBITDA	\$ (18,805)	\$ (16,683)
Share based compensation	710	-
(Gain) loss on sale of assets held for sale	570	(1,260)
Restructuring costs	1,414	1,471
Adjusted EBITDAS	\$ (16,111)	\$ (16,472)

2016 Comparatives have been changed to conform to the current year presentation.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Corporate SG&A expenses were \$16,111 for the year ended December 31, 2017, compared to \$14,840 in the prior year. The \$1,271 increase in 2017 relative to 2016 is due largely to increased professional fees. As a percentage of consolidated revenue, Corporate SG&A costs decreased to 4.5% in 2017 compared to 5.5% in 2016 as the Company focused on keeping corporate overhead costs relatively flat despite the increase in revenue.

See "2017 Results Commentary" on page 7 for an analysis of share based compensation, depreciation and amortization, interest expense and restructuring costs.

WRITE-DOWN OF INTANGIBLE ASSETS AND GOODWILL

ClearStream performed impairment tests as at December 31, 2017 as a result of the adverse economic impact that low commodity prices have had on ClearStream and the industries that it operates in. The adverse economic impacts include lower pricing and demand for goods and services provided to customers. As a result of the testing performed, an impairment loss of \$7,685 was recorded at December 31, 2017. All of the impairment losses were

allocated to intangible assets. A decrease in projected EBITDA resulted in a goodwill impairment of \$8,700 during the first quarter of 2016.

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

FOURTH QUARTER 2017 RESULTS

Quarter ended December 31,	2017	2016
Revenue	\$ 81,972	\$ 72,913
Cost of revenue	(75,801)	(65,608)
Gross profit	6,171	7,306
Selling, general and administrative expenses	(5,014)	(5,068)
Share based compensation	(131)	-
Amortization of intangible assets	(857)	(858)
Depreciation	(1,337)	(1,960)
Income (loss) from equity investment	86	(76)
Interest expense	(5,786)	(5,075)
Gain (loss) on sale of assets held for sale	(283)	(66)
Restructuring costs	(587)	(1,126)
Impairment of intangible assets	(7,685)	-
Other loss	(5,778)	-
Gain (loss) on sale of property, plant and equipment	(6)	94
Loss from continuing operations	(21,207)	(6,829)
Add back:		
Share based compensation	131	-
Interest expense	5,786	5,075
Amortization of intangible assets	857	858
Depreciation	1,337	1,960
EBITDAS	\$ (13,096)	\$ 1,064
Other loss	5,778	-
Impairment of intangible assets	7,685	-
Gain (loss) on sale of assets held for sale	283	66
Restructuring costs	587	1,126
Adjusted EBITDAS	\$ 1,237	\$ 2,256

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2017 were \$81,972 compared to \$72,913 in 2016, an increase of 12.4%. Demand growth across both operating segments led to the increase in revenue, as our customers continued to spend more on maintenance programs during the fourth quarter of 2017 compared to 2016.

Gross profit for the three months ended December 31, 2017 was \$6,171 compared to \$7,306 in 2016. Gross margins were 7.5% for the three months ended December 31, 2017 compared to 10.0% in the fourth quarter of 2016. The decline in gross margins was due to pricing declines across all services lines combined with losses in the Transportation division. Given ClearStream's decision to sell all transportation assets, one-time expenses of approximately \$300 were incurred in fourth quarter to shut down this business line. In addition, a loss of \$5,778 was recognized during the fourth quarter of 2017 to provide for an onerous contract relating to the sale of the transportation division.

SG&A costs were relatively consistent on a year-over-year basis.

Restructuring costs of \$587 were recorded during the fourth quarter of 2017 and include costs associated with the refinancing transaction that closed in early 2018. Restructuring costs in the fourth quarter of 2016 were largely comprised of severance and location closure costs associated with right sizing and restructuring ClearStream's business.

Depreciation and amortization was \$2,194 for the three months ended December 31, 2017, compared to \$2,818 for 2016. The decline is primarily related to a decrease in property, plant and equipment.

The increase in interest expense relates to the costs of servicing the ABL facility in 2017, which increased to \$27,500 at the end of 2017 compared to \$3,500 at the end of 2016. Restructuring costs decreased significantly on a quarter-over-quarter basis as a majority of the ClearStream restructuring initiatives were implemented in 2015 and 2016.

Adjusted EBITDAS	Q4 2017	Q4 2016	2017 vs. 2016
\$000s			
ClearStream Industrial Services			
Maintenance and Construction	3,651	4,496	(845)
Wear, Fabrication & Transportation	1,311	1,856	(545)
Adjusted EBITDAS from operations	\$ 4,962	\$ 6,352	\$ (1,390)
Corporate	(3,725)	(4,096)	371
Adjusted EBITDAS	\$ 1,237	\$ 2,256	\$ (1,019)

DISCONTINUED OPERATIONS

	2017	2016
Loss from discontinued operations	(3,445)	(12,793)

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 and other discontinued operations. 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 year ended December 31, 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

	2017	2016
Cash (used in) provided by operating activities	\$ (27,724)	\$ 4,565
Cash provided by investing activities	569	15,036
Cash provided by (used in) financing activities	20,301	(32,507)
Consolidated cash as at December 31	4,649	11,503

OPERATING ACTIVITIES AND CHANGE IN WORKING CAPITAL

	2017	2016
Cash used in continuing operations before interest	\$ 11,611	\$ 9,618
Interest expense	(21,474)	(21,259)
Increase (decrease) in cash due to changes in working capital	(12,076)	24,569
Cash used in discontinued operations	(5,785)	(8,363)
Cash (used in) provided by operating activities	\$ (27,724)	\$ 4,565

Cash used in continuing operations represents the net loss incurred during 2017 adjusted for interest and non-cash items, including depreciation, amortization and asset impairments. Total working capital increased by \$12,076 in 2017 due to the increase in revenue and overall activity levels. The cash used in discontinued operations includes the settlement of the Brompton Corp. claim for approximately \$5 million plus legal costs, and other expenses paid in 2017 relating to businesses that were sold prior to March 2016.

INVESTING ACTIVITIES

Due to challenging market conditions, capital spending was kept to a minimum and non-essential operating assets were sold during 2017. As a result, cash proceeds on disposal net of asset purchases totaled \$319.

During 2016, ClearStream received \$14,800 of cash proceeds on the sale of Quantum Murray LP, Titan Supply LP and Gusgo, which represented the majority of the cash provided by investing activities in 2016.

FINANCING ACTIVITIES

2016 Refinancing

In March 23, 2016, ClearStream entered into an agreement for an Asset Based Lending (“ABL”) facility with a banking syndicate led by the Bank of Montreal. The ABL Facility is used to fund working capital requirements.

The amounts that can be drawn on the ABL facility, to a maximum of \$50 million, is based primarily on eligible accounts receivable balances. The Company is required to satisfy certain covenants, including a fixed charge coverage ratio under the terms of the agreement. As at December 31, 2017, \$27,500 was drawn on the ABL facility and net \$24,000 was drawn during 2017.

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

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

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

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

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

Mandatory Redemption Provisions

The debenture arrangements are designed to ensure that debt balances are reduced as quickly as possible. Consequently, mandatory redemption provisions exist in the Company's Senior Secured Debenture agreement. The mandatory redemption provisions include:

- 100% of the net proceeds of any eligible property dispositions must be used to redeem the senior secured debentures; eligible property dispositions include asset sales in excess of \$2,000;
- When the ratio of long-term debt to EBITDA is greater than 3.5:1.0, 75% of excess cash flow must be used to redeem the senior secured debentures;
- When the ratio of long-term debt to EBITDA is less than 3.5:1.0, 50% of excess cash flow must be used to redeem the senior secured debentures;

Excess cash flow represents cash available to the Company after interest, capital expenditures, capital lease payments, and income taxes, among other things.

ClearStream expects to trigger a mandatory redemption with the sale of transportation assets given that sale proceeds are expected to exceed \$2,000.

The foregoing is a summary only of the applicable debt provisions and is subject to the terms of the Company's Senior Secured Debenture Agreement, which is available on the Company's profile on www.sedar.com.

Financial Covenants

The financial covenants applicable under the ABL Facility at December 31, 2017 were as follows:

- Minimum monthly EBITDA targets from July 2017 to December 2017, inclusive, where EBITDA is defined as net earnings, before depreciation and amortization, interest expense, income tax expense, and share based compensation;
- 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 1.1:1.0 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) plus finance lease payments.

As at December 31, 2017, ClearStream was not in compliance with all financial covenants under the ABL Facility and therefore the amount drawn on the ABL Facility was reclassified as current. The cross-default provisions in the agreement results in an event of default under the ABL Facility being considered an event of default under both the senior secured and convertible secured debenture agreements; therefore, all debt was required to be classified as current at December 31, 2017.

2018 Refinancing

On January 16, 2018, ClearStream announced the completion of a refinancing transaction whereby Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, commenced the process to exchange 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.

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 cash 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. At December 31, 2017, these interest obligations were \$8,799 and recorded in Accounts Payable and Accrued Liabilities. The remaining proceeds of the private placement will be used to fund \$8,000 of interest payable in 2018 under the remaining \$100,000 of Senior Secured Debentures, and partially fund transaction costs relating to the refinancing transaction.

As part of the refinancing transaction, ClearStream's ABL facility was amended and restated. The key amendments included changes to financial covenants and changes to the calculation of the borrowing base that could provide ClearStream with additional borrowing capacity of up \$7,500 that will be used to fund working capital requirements.

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

The amended and restated ABL Facility also amended the definition of Debt serving costs to exclude any interest paid using proceeds from the preferred share private placement.

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 amended and restated 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 2018.

Capital Leases

As part of its normal operations, ClearStream enters into finance leases as a way to finance capital initiatives, primary for vehicles and equipment. During 2017, ClearStream repaid \$3,699 (2016 – 5,416) of finance lease obligations.

SUMMARY OF CONTRACTUAL OBLIGATIONS

ClearStream's contractual obligations for the years 2018 to 2022 and thereafter are as follows:

	2018	2019	2020	2021	2022	Thereafter	Total
Accounts payable and accrued liabilities	\$ 36,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,276
ABL facility	27,500	-	-	-	-	-	27,500
Senior secured debentures	176,228	-	-	-	-	-	176,228
Convertible secured debentures	35,000	-	-	-	-	-	35,000
Finance lease obligations	1,689	1,328	492	486	-	-	3,995
Operating leases	10,154	10,019	5,958	5,045	4,966	19,842	55,983
Total Contractual Obligations	\$ 286,847	\$ 11,347	\$ 6,450	\$ 5,531	\$ 4,966	\$ 19,842	\$ 334,982

ClearStream expects to meet its short-term contractual obligations through cash flow from operations, which includes collection of accounts receivable. Subsequent to December 31, 2017, ClearStream completed a refinancing transaction that included an amendment and restatement of the ABL facility agreement. The refinancing transaction remedied the default under the debt agreements. As a result, the ABL facility, Senior secured debentures and convertibles secured debentures are no longer due in 2018. The ABL agreement expires in March 2019 and both debentures mature in 2026. As part of the refinancing transaction, \$33,565 of convertible secured debentures were converted to preferred shares. In addition, \$19,000 of cash proceeds were obtained through a private placement issuance of preferred shares, the proceeds of which will be used to fund \$8,800 of interest obligations included in accounts payable and accrued liabilities at December 31, 2017 and future interest payments in 2018.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

ClearStream prepares its consolidated financial statements in accordance with IFRS. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the consolidated financial statements are described in note 1 in the December 31, 2017 consolidated financial statements. ClearStream evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition, income taxes, provisions, impairment, earn-outs, going concern assumptions and other matters. Actual results could differ from those estimates and assumptions.

ADDITIONAL INFORMATION

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

International Financial Reporting Standard 9, Financial Instruments

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company expects IFRS 9 will impact the Company's current policies and procedures regarding provisions on trade receivables. Trade receivables are recorded at the original invoice value less any amounts estimated to be uncollectable. Under IFRS 9, the expected loss impairment model replaces the current incurred loss model and is based on a forward looking approach, which includes earlier recognition of losses. However, given the short term nature of the Company's receivables, these changes are not expected to have a material financial impact.

International Financial Reporting Standard 15, Revenue from Contracts with Customers

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

The Company does expect IFRS 15 to impact the measurement of contingent consideration received in an asset sale (i.e. the valuation of the earn-out assets). IFRS 15 requires consideration receivable on the disposal of an item of property, plant and equipment to be determined following IFRS 15 guidance for determining transaction price. IFRS 15 stipulates that the inclusion of variable consideration in the determination of transaction price occurs only if 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). If the consideration is variable, an entity must estimate the amount using either the "expected value" or "most likely method" under IFRS 15. A certain amount of variable consideration may be estimated in the transaction price, subject to the constraint requirement.

The Gusgo earn-out will be measured using the "most likely method" under IFRS 15, which will result in valuation based on the expected amount to be received of \$2,000. The Quantum Murray / Titan earn-out will be measured using the "expected value" method, which is expected to be constrained to nil given that it is not highly probable that a significant reversal in the amount recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Therefore, upon adoption of IFRS 15 under the modified retrospective approach, an adjustment of approximately \$950 will be recorded as a decrease to earn-out assets and an increase to deficit at January 1, 2018.

International Financial Reporting Standard 16, Leases

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

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

	2017	2017	2017	2017	2016	2016	2016	2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	\$ 81,972	\$ 85,927	\$111,559	\$ 77,689	\$ 72,913	\$ 67,773	\$ 61,335	\$ 68,640
Gross Margin	6,171	6,635	11,073	6,540	7,305	6,824	5,465	5,316
Gross Margin %	7.5%	7.7%	9.9%	8.4%	10.0%	10.1%	8.9%	7.7%
Net loss from								
continuing operations	(21,207)	(6,120)	(1,510)	(3,623)	(6,829)	(4,625)	(5,391)	(16,092)
Net loss	(22,345)	(6,170)	(3,397)	(3,993)	(12,858)	(5,339)	(6,716)	(20,817)
Loss per share								
from continuing operations	(0.19)	(0.06)	(0.01)	(0.03)	(0.06)	(0.04)	(0.05)	(0.15)
Loss per share	(0.20)	(0.06)	(0.03)	(0.04)	(0.12)	(0.05)	(0.06)	(0.19)

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

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

The gross margin percentage reductions in the third and fourth quarters of 2017 are partially due to a decrease in pricing within both operating segments. The third quarter of 2017 was also negatively impacted by losses on certain lump sum projects completed in that quarter. In addition, ClearStream's revenues were negatively impacted in the second and third quarters of 2016 as a result of the impact of the Fort McMurray wildfires on ClearStream's business.

CONTINGENCIES

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

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of December 31, 2017, directors, officers and key employees beneficially hold an aggregate of 15,358,838 common shares or 14.0% on a fully diluted basis.

TRANSACTIONS

Two operating leases for property, with annual rents of \$312 and \$400 are with a landlord in which certain executives of ClearStream hold an indirect minority interest (2016 - \$312 and \$400). These transactions occurred

in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

For the year ended December 31, 2016, income from equity investments included \$191 of rent expense paid to a company owned by the minority shareholder of Gusgo, and interest income included \$59 charged to joint venture operating partners on advances.

SHARE CAPITAL

The authorized share capital of the Company consists of: (i) an unlimited number of common shares, and (ii) preferred shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding common shares at the time of issuance of such preferred shares. As of December 31, 2017, there were 109,941,241 common shares issued and outstanding and nil preferred shares issued and outstanding. If all of the \$35,000 Convertible Debentures were converted, there would be 209,941,241 common shares outstanding. The number of common shares outstanding would increase if ClearStream chose to settle interest payments on the Convertible Debentures through the issue of Convertible Debentures.

Subsequent to December 31, 2017 and as part of the 2018 refinancing transaction, ClearStream issued 127,565 of newly created Series 1 Preferred Shares.

OUTLOOK

Overall market conditions have started to recover with the rise in oil prices. Our customers are expected to increase maintenance and capital spending in 2018 relative to 2017 as a result of healthier commodity prices. As a result, stronger demand for our services is expected in 2018, particularly for the maintenance and wear service lines. Market conditions are expected to remain difficult for our service lines that rely on new capital projects, including fabrication and construction.

Improving market conditions and maintenance demand, combined with several meaningful contract wins, are expected to result in an increase in 2018 revenue compared to 2017. Recent new contract awards are expected to generate \$40 million of new revenue for ClearStream in 2018. However, our industry remains very competitive and we do not expect pricing to improve in 2018 relative to 2017. Gross margin improvement will only be achieved if we are able to keep fixed costs flat during 2018; cost control will continue to be an area of focus for ClearStream in 2018.

Financial results for the first quarter of 2018 are expected to be similar to the first quarter of 2017. Pricing levels are relatively consistent on a year-over-year basis and meaningful revenue increases from higher demand and new contract awards are not expected to occur until the second quarter of 2018.

ClearStream will continue to focus on the core aspects of our business including safety, cost control, and operational execution in 2018. We remain confident that improving market conditions and new contracts, combined with a focus on strong execution, will lead to stronger financial results in 2018.

RISK FACTORS

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

Risks Relating to the Company

REFINANCING TRANSACTIONS MAY NOT IMPROVE THE COMPANY'S FINANCIAL CONDITION

The Refinancing Transactions may not improve the Company's liquidity and operating flexibility or allow it to continue operating its business in the normal course. Deterioration in the Company's consolidated revenues and relationships with suppliers, or the inability of the Company to successfully manage costs, liquidity and results of operations, or the impact of external factors beyond the control of the Company such as further deterioration in general economic conditions (including commodity prices such as oil and natural gas), may have a material adverse effect on the Company and may result in the Company not being able to pay its debts as they become due.

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

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

CHANGE OF CONTROL

Subsequent to December 31, 2017, the Company issued 127,565 of Series 1 Preferred Shares. The terms of the Series 1 Preferred Shares provide for a 10% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional

Series 1 Preferred Shares. Holders of the Series 1 Preferred Shares will have the right, at their option, to convert their Series 1 Preferred Shares into Common Shares at a price of \$0.35 per Common Share, subject to adjustment in certain circumstances. Assuming that the holders of the Series 1 Preferred Shares exercise the right to convert all accrued dividends into Series 1 Preferred Shares at the end of every year, and no right of redemption or retraction is exercised under the Series 1 Preferred Shares, up to approximately 963,400,000 Common Shares would be issuable upon conversion of the face amount of Series 1 Preferred Shares after ten years, which represents approximately 877% of the issued and outstanding Common Shares as of December 18, 2017. Potentially almost all of these Common Shares could, subject to applicable securities laws, be issued to accounts managed by Canso. Canso, to the extent permitted under securities legislation, or any transferee of Canso's holdings, would then be in a position to unilaterally elect a majority of the directors of the Company should it choose to do so.

VOLATILITY OF INDUSTRY CONDITIONS

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

The level of activity in the oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. Crude oil and natural gas prices have historically been volatile and are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to concerns of oversupply, the current state of the world economics, actions taken by the Organization of the Petroleum Exporting Countries, and ongoing credit and liquidity concerns within the industry. Any prolonged substantial reduction in oil and natural gas prices would likely adversely affect oil and gas production levels and therefore adversely affect the demand for services to oil and gas customers. A material decline or sustained depression in oil or gas prices or industry activity could have a material adverse effect on ClearStream's business, financial condition, results of operations and cash flows. The business and activities of ClearStream are directly affected by fluctuations in levels of exploration, development and production activity carried on by its customers.

In addition, demand for the services provided by ClearStream is directly impacted by the prices that ClearStream's customers receive for the crude oil and natural gas they produce and the prices received have a direct correlation to the cash flow available to invest in transportation, equipment rental and other oilfield services provided by ClearStream. The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network. As natural gas is most economically transported in its gaseous state via pipeline, its market is dependent on pipeline infrastructure and is subject to regional supply and demand factors. However, recent developments in the transportation of liquefied natural gas ("LNG") in ocean going tanker ships have introduced an element of globalization to the natural gas market. Crude oil and natural gas prices are quite volatile, which accounts for much of the cyclical nature of the oilfield services business. World crude oil prices and North American natural gas prices, including LNG, are outside of ClearStream's control.

DEPENDENCE ON KEY PERSONNEL

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

GENERAL ECONOMIC FACTORS

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

CUSTOMER CONTRACTS

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

CUSTOMER CONCENTRATION

Large contracts often create a situation where a significant portion of ClearStream's main revenue and accounts receivables may be from a small number of customers increasing the risks of economic dependence and concentration of credit. ClearStream is economically dependent upon its top three clients who made up approximately 54% of ClearStream's revenues for 2017.

LABOUR

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

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

REGULATION

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

COMPETITION

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

SEASONALITY

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

SOURCES, PRICING AND AVAILABILITY OF EQUIPMENT AND EQUIPMENT PARTS

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

PROJECT RISK

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

ENVIRONMENTAL REGULATION AND INITIATIVES

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

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

UNEXPECTED ADJUSTMENTS AND CANCELLATIONS IN BACKLOG

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

PRICE AND AVAILABILITY OF ALTERNATIVE FUELS

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

AVAILABILITY OF FUTURE FINANCING

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

POTENTIAL FUTURE DEVELOPMENTS

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

particular strategic opportunity or transaction that when announced, would have a significant impact on the price of the Company's securities.

CYBER SECURITY RISK

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

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

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

POLITICAL RISK

Recent political events in the United States have led to uncertainty regarding the position the U.S. will take with respect to world affairs and events, especially current and future trade relationships with Canada and other countries. In particular, the current U.S. administration initiated the re-negotiation of the North American Free Trade Agreement ("NAFTA") in 2017, and indicated that if the re-negotiations are not successful, the U.S. may withdraw from NAFTA. As of the date of this AIF, the re-negotiations between the U.S., Canada and Mexico are still in progress, and at this time ClearStream is unable to predict what impact any such renegotiation or withdrawal may have.; However, in the event that any re-negotiation or withdrawal impacts the exports of energy resources to the U.S. or Mexico this could have a material adverse effect on ClearStream's business and financial condition by negatively impacting ClearStream's customers' cash flow and production levels.

Risks Relating to the Company's Corporate Structure

POTENTIAL SALES OF ADDITIONAL SHARES

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

INCOME TAX MATTERS

Although the Company and its subsidiaries are of the view that all expenses to be claimed by them in the determination of their respective incomes under the *Income Tax Act* (Canada) (the "Tax Act") are reasonable and deductible in accordance with the applicable provisions of the Tax Act, and that the allocation of partnership income

for purposes of the Tax Act are reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency (the "CRA") will agree with the expenses claimed or such allocation of partnership income. If CRA successfully challenges the deductibility of such expenses or the allocation of such income, the allocation of taxable income to the Company and its subsidiaries may change.

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

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

Risks Relating to Common Shares of the Company

UNPREDICTABILITY AND VOLATILITY OF COMMON SHARE PRICE

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

RESTRICTIONS ON POTENTIAL GROWTH

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

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

PRIOR RANKING INDEBTEDNESS AND INSOLVENCY LAWS

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

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Company and the other obligors, and their respective property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Company or the other obligors, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Company or the other obligors, holders of Senior Secured Debentures will receive payment to the extent of their

security interest in the assets of the obligors granted to them, before the holders of Convertible Secured Debentures are entitled to receive any payment or distribution of any kind or character.

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

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

PAYMENT OF INTEREST

The Company's ability to pay principal and interest on the Senior Secured Debentures and/or Convertible Secured Debentures when due will depend, in part, on the ability of the recent refinancing transaction to improve the Company's financial condition over the long term. In the event that the financial condition of the Company does not improve, or deteriorates following the closing of the recent refinancing transactions, the Company may not be able to pay principal and interest on the Senior Secured Debentures and/or Convertible Secured Debentures.

COVENANT OBLIGATIONS

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

REDEMPTION PRIOR TO MATURITY

Except upon the occurrence of a Change of Control, the Convertible Secured Debentures will not be redeemable on or before the fifth anniversary of the Effective Date and, thereafter, they become redeemable at the election of the Company, in whole or in part, at any time on or before the business day before their maturity date. Holders of Convertible Secured Debentures should assume that the Company will exercise this redemption option if the

Company is able to refinance at a lower interest rate or it is otherwise in the interests of the Company to redeem the Convertible Secured Debentures.

INABILITY OF THE COMPANY TO PURCHASE DEBENTURES

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

DILUTION

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

Pursuant to the Refinancing Transaction completed on January 16, 2018, the Company issued 127,565 Series 1 Preferred Shares, with almost all of the Series 1 Preferred Shares issued to accounts managed by Canso as portfolio manager. The Series 1 Preferred Shares are convertible to Common Shares at a price of \$0.35 per Common Share. Accordingly, based upon this conversion right, there could be significant dilution to the current holders of Common Shares. Up to approximately 371,430,000 additional Common Shares would be issuable upon conversion of the face amount of Preferred Shares into Common Shares, representing approximately 338% of the issued and outstanding Common Shares as of December 31, 2017. In addition, the Series 1 Preferred Shares have 10% fixed cumulative preferential cash dividend payable when the Company shall have sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such time as the Company's balance sheet and liquidity position supports the payment. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 Preferred Shares. Assuming that the holders of the Series 1 Preferred Shares exercise the right to convert all accrued dividends into additional Series 1 Preferred Shares at the end of every year, up to approximately 963,400,000 Common Shares would be issuable upon conversion after ten years, which represents approximately 877% of the issued and outstanding Common Shares as of December 31, 2017.

INVESTMENT ELIGIBILITY

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

MARKET VALUE FLUCTUATION

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

TRADING MARKET FOR THE CONVERTIBLE SECURED DEBENTURES

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

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's disclosure controls and procedures as at December 31, 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 year ended December 31, 2017 with securities regulators, including this MD&A and the accompanying audited consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

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

There have been no changes in internal controls over financial reporting during the year ended December 31, 2017 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting. Furthermore, ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's internal control over financial reporting as at December 31, 2017 and have concluded that those controls were effective.

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

ADDITIONAL INFORMATION

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