Condensed Consolidated Interim Financial Statements of

CLEARSTREAM ENERGY SERVICES INC.

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

<u>IFRS 9 Financial Instruments</u>

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

<u>IFRS 15 Revenue from Contracts with Customers</u>

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.

(In thousands of Canadian dollars)

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).

(In thousands of Canadian dollars)

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

(In thousands of Canadian dollars)

$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).

(In thousands of Canadian dollars)

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

(In thousands of Canadian dollars)

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.

<u>Stock Options</u>

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:

(In thousands of Canadian dollars)

	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).

(In thousands of Canadian dollars)

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.

(In thousands of Canadian dollars)

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)