ClearStream Energy Services Inc.

ANNUAL INFORMATION FORM
(for the year ended December 31, 2018)

March 21, 2019

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Forward-looking information

This report contains certain forward-looking information. Certain information included in this report 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 report, 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.

Market Data and Forecasts

Market data and certain forecasts used throughout this Annual Information Form (“**AIF**”) were obtained from internal surveys, market research, publicly available information and independent industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and the completeness of such information is not guaranteed and neither the Company nor any other person makes any representation as to the accuracy of such representation. Similarly, internal surveys, forecasts, market research and publicly available information, while believed to be reliable, have not been independently verified from third party sources and neither the Company nor any other person makes any representation as to the accuracy of such information.

Reporting Currency

In this AIF, unless otherwise stated, dollar amounts are reported in Canadian dollars.

1. CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

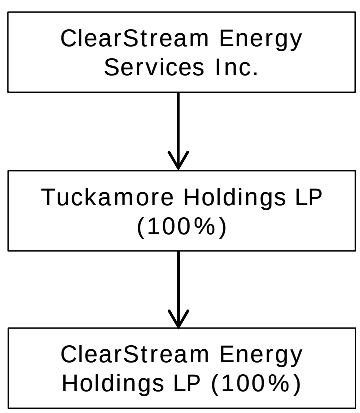
ClearStream Energy Services Inc. (the "**Company**" or "**ClearStream**"), formerly known as Tuckamore Capital Management Inc., was previously an unincorporated open-ended trust operating under the name of Newport Partners Income Fund (the "**Fund**"), established and existing under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005, as amended and restated on each of June 22, 2005 and August 8, 2005, and as further amended by an amending agreement dated March 21, 2007. At a special meeting of unitholders of the Fund (the "**Unitholders**") held on March 25, 2011, a special resolution was passed approving the conversion of the Fund to a corporation pursuant to a plan of arrangement (the "**Conversion Arrangement**") under the *Business Corporations Act* (Ontario).

The Conversion Arrangement resulted in the reorganization of the Fund's income trust structure into a corporation named "Newport Inc.". Effective April 1, 2011, Unitholders automatically received one common share of Newport Inc. (a "**Common Share**") in exchange for each unit of the Fund. On June 30, 2011, pursuant to a special resolution of the shareholders of the Company, the name of the corporation was changed from "Newport Inc." to "Tuckamore Capital Management Inc.". On October 13, 2016, Tuckamore Capital Management Inc. announced that it had filed articles of amendment changing its name to ClearStream Energy Services Inc. Effective March 2017, the registered office is located at 311 6th Ave SW, Calgary, Alberta, T2P 3H2. Prior to March 2017 the registered office was located at 130 King Street, Toronto, Ontario, M5X 1B1.

References to the Fund throughout this AIF refer to the Company prior to the completion of the Conversion Arrangement.

1.2 Intercorporate Relationships

The Company beneficially owns all of the outstanding units of Tuckamore Holdings LP and all of the outstanding shares of Tuckamore GP Inc., the sole trustee of Tuckamore GP Trust, the general partner of Tuckamore Holdings LP. Tuckamore Holdings LP holds 100% of the interest in ClearStream Energy Holdings LP. The corporate structure of the Company and its material subsidiaries as of the date of this AIF as follows:



2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Business Overview

ClearStream is a fully integrated provider of midstream production services, which includes maintenance and turnarounds, pipeline wear technology, facilities construction, welding and fabrication, and Environmental Services, with current locations across Western Canada.

The Company has, over the last several years, sold its interest in certain former operating partnerships. In connection with the Refinancing Transactions (as defined below), the Company completed further sales of certain assets. See section 2.2 below for a full description of the significant dispositions completed by the Company over the past three years and in connection with the Refinancing Transactions.

2.2 Three Year History and Recent Developments

2.2.1 The Refinancing Transactions

A. Background to the Refinancing Transactions

Since the completion of the Conversion Arrangement, the board of directors of the Company (the "**Board**") and management of the Company have regularly considered, investigated and evaluated opportunities that could enhance shareholder value. These opportunities have included the consideration of potential transactions with various strategic partners as well as with other interested parties. The Board also regularly reviews and considers market conditions, including factors that affect the business, operations, financial condition and affairs of the Company and its subsidiaries. More specifically, in order to manage the Company through increasingly difficult market conditions in 2015, the Board considered various alternatives in the pursuit of financing solutions to repay the secured debentures of the Company that matured on March 23, 2016 in the aggregate principal amount of $176,228,000 (the "**2011 Secured Debentures**"), which were issued pursuant to the secured trust indenture dated as of March 23, 2011, as amended by a first supplemental indenture dated as of March 31, 2011 and a second supplemental indenture dated as of June 29, 2011, between the Fund (as predecessor to ClearStream), as issuer, and BNY Trust Company of Canada, as debenture trustee (the "**2011 Secured Indenture**") as well as the Company's third amended and restated credit agreement dated as of March 9, 2012 (as amended, the "**Credit Agreement**").

To assist the Company, and in light of the impending debt repayment obligations of the Company in connection with the Credit Agreement and the 2011 Secured Debentures, in 2014 the Board asked Canaccord Genuity Corp. ("**Canaccord**"), as part of its continuing engagement as financial advisor to the Company, to investigate, develop and pursue potential opportunities for debt and equity financing sufficient to enable the Company to meet its repayment obligations.

In December 2014, Canaccord, along with management of the Company, met with representatives of Canso Investment Counsel Ltd. ("**Canso**") and engaged in preliminary discussions around the maturity of the 2011 Secured Debentures. Discussions continued with Canso until February 2015, at which point discussions ceased.

Over the course of 2014 and 2015, Canaccord met with numerous potential financing sources, both with and without management of the Company present, in order to elicit potential refinancing proposals and the Company entered into confidentiality agreements with more than 20 potential financing sources. The Board was provided with regular updates as to the progress of these endeavours.

In light of the inadequate terms of the expressions of interest received, the Company and its financial advisors re-engaged in discussions with Canso in October 2015.

On November 12, 2015, the Board met to discuss the status of the refinancing proposals received to date. The Board also reviewed the proposals based on a number of criteria, including, without limitation:

(a) the ability to enable a sustainable capital structure and business model and enhance the future viability of the Company; (b) the ability of existing shareholders to participate meaningfully in the transaction; (c) the certainty of the transaction's execution; and (d) the potential to preserve and increase long-term shareholder value.

After input from management of the Company as well as the financial and legal advisors to the Company, the Board determined that the proposal presented by Canso was the most favourable to the Company and instructed that management of the Company, along with the legal and financial advisors, proceed to advance the proposal from Canso and crystallize its terms.

On December 22, 2015, the Company announced that it had entered into a non-binding engagement with Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, to support and provide capital for certain proposed senior debt issuances by the Company pursuant to the Refinancing Transactions and, after further negotiations, on January 25, 2016, the Company and Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, entered into a purchase agreement (the "**Purchase Agreement**") and backstop commitment letter (the "**Backstop Commitment Letter**") in respect of such Refinancing Transactions that contemplated the following:

(a) the issuance of 8.00% senior secured debentures due 2026 of the Company (the "**Senior Secured Debentures**") pursuant to a trust indenture between ClearStream, as issuer, and BNY Trust Company of Canada, as debenture trustee (the "**Senior Secured Indenture**") in the principal amount of $176,228,000 as follows: (i) a minimum of $130,000,000 to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and (ii) up to $46,228,000 to accredited investors that subscribe for Senior Secured Debentures, provided that any such Senior Secured Debentures not issued to such other investors would be purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (the "**Senior Secured Debenture Private Placement**"); and

(b) the issuance of 10.00% second lien secured convertible debentures due 2026 of the Company (the "**Convertible Secured Debentures**" and together with the Senior Secured Debentures, the "**New Debentures**") pursuant to a trust indenture between ClearStream, as issuer, and BNY Trust Company of Canada, as debenture trustee (the "**Convertible Secured Indenture**" and together with the Senior Secured Indenture, the "**Indentures**") in the principal amount of $35,000,000 as follows: (i) a minimum of $25,000,000 to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (the "**Convertible Secured Debenture Private Placement**"), and (ii) up to $10,000,000 to existing Shareholders of the Corporation pursuant to an offering of transferable rights (the "**Rights Offering**"), provided that any such Convertible Secured Debentures not subscribed for pursuant to the Rights Offering would be purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as part of the Convertible Secured Debenture Private Placement (the Rights Offering, together with the Senior Secured Debenture Private Placement and Convertible Secured Debenture Private Placement, the "**Refinancing Transactions**").

The Purchase Agreement and Backstop Commitment Letter have been filed and are available electronically on SEDAR at www.sedar.com under the Company's profile.

On February 25, 2016, shareholders of the Company passed a resolution approving the Refinancing Transactions (the "**Refinancing Resolution**"), which included approval of certain related waivers under the Rights Plan (as defined below), as more fully described in ClearStream's management information circular dated January 25, 2016. As required pursuant to applicable securities law and the rules of the Toronto Stock Exchange (the "**TSX**"), the Refinancing Resolution was approved by the requisite majority of disinterested shareholders of the Company for purposes of "minority approval" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* and for purposes of the rules of the TSX. Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, is a significant shareholder of the Company and was a significant holder of the 2011

Secured Debentures. Accordingly, a total of 17,680,650 Common Shares controlled or directed by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, were excluded from the vote on the Refinancing Resolution.

As a result of the aforementioned shareholder approval and the filing by the Company of, and the issuance of a receipt by the Ontario Securities Commission (the "**OSC**") for, the Company's short form prospectus dated February 24, 2016 (the "**Final Prospectus**"), the Company launched the Rights Offering on February 25, 2016. Pursuant to the Rights Offering, and as fully described in the Final Prospectus (which is available electronically under the Company's SEDAR profile at www.sedar.com), shareholders of record as of February 18, 2016 received one right (a "**Right**") for each Common Share held. For every 1,099.41241 Rights held, an eligible holder thereof was entitled to purchase, under a basic subscription right, $100 principal amount of Convertible Secured Debentures at a subscription price of $100, provided such Rights were duly exercised and subscription funds were received by CST Trust Company (the "**Subscription Agent**") prior to 5:00 p.m. (Toronto time) on March 17, 2016 (the "**Expiry Time**"). At the Expiry Time, a total of $1,969,600 aggregate principal amount of Convertible Secured Debentures were subscribed for by purchasers pursuant to the exercise of rights under the basic subscription privilege and the remaining $8,030,400 aggregate principal amount of Convertible Secured Debentures were subscribed for by over-subscribing purchasers on a pro rata basis pursuant to the additional subscription privilege. Excess funds of $1,856,000 received on account of over subscriptions for which Convertible Secured Debentures could not be allotted under the additional subscription privilege were returned to the over subscribing purchasers on a *pro rata* basis.

On December 27, 2017, the Company announced that it had entered into a refinancing agreement with Canso (the "**Refinancing Agreement**") pursuant to which Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, agreed to exchange certain of the Company's existing debt for newly created Series 1 preferred shares of the Company (the "**Series 1 Preferred Shares**", and together with the Common Shares, the "**Shares**") and to subscribe for additional Series 1 Preferred Shares of the Company (collectively the "**December 2017 Refinancing Transaction**"). The December 2017 Refinancing Transaction ensures that the Company is able to continue to service its outstanding indebtedness and was designed to improve the balance sheet and liquidity of the Company going forward in order to allow it to better execute upon its business plan and growth strategies.

Pursuant to the Refinancing Agreement, Canso agreed to exchange $75,000,000 principal amount of Senior Secured Debentures and $33,565,000 principal amount of Convertible Secured Debentures for Series 1 Preferred Shares. Additionally, Canso agreed to acquire $19,000,000 in additional Series 1 Preferred Shares (the "**Private Placement**"), the proceeds of which were primarily used to fund the interest obligations of the Company under the Senior Secured Debentures and Convertible Secured Debentures due on January 2, 2018, June 30, 2018 and December 31, 2018. After completion of the exchange, $101,228,000 principal amount of Senior Secured Debentures and $1,338,800 of Convertible Secured Debentures remain outstanding, and 127,565 of Series 1 Preferred shares have been issued.

As part of the December 2017 Refinancing Transaction, the Company, through its subsidiary, ClearStream Energy Holdings LP, entered into an amended and restated credit agreement (the "**New Credit Agreement**") with Bank of Montreal, as administrative agent. The New Credit Agreement, among other things, provides for certain borrowing base amendments and permits the consummation of the transactions contemplated by the December 2017 Refinancing Transaction.

B. Completion of the Refinancing Transactions

(i) Repayment of 2011 Secured Debentures

On March 23, 2016, ClearStream repaid the 2011 Secured Debentures in full. The Company made a cash payment totalling $176,228,000 in respect of outstanding principal (funded through the proceeds of issuance of the Senior Secured Debentures (as described below)), and an additional cash payment totalling $3,167,275 in respect of accrued but unpaid interest up to, but excluding, the date of repayment. As a result of this repayment, the obligations of the Company and its guarantor subsidiaries under the 2011 Secured Debentures were satisfied and discharged and the 2011 Secured Indenture was terminated.

(ii) Issuance of Senior Secured Debentures

On March 23, 2016, the Company issued, pursuant to the Senior Secured Debenture Private Placement, Senior Secured Debentures in an aggregate principal amount of $176,228,000. The proceeds of the issuance of the Senior Secured Debentures were used to fund the Company's payment obligations in respect of the 2011 Secured Debentures. The Senior Secured Debentures bear interest at an annual rate of 8.00% payable-semi-annually in arrears on June 30 and December 31 in each year. The maturity date of the Senior Secured Debentures is March 23, 2026. The Senior Secured Debentures are subject to a four month hold period as required by applicable securities law.

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

(iii) Issuance of Convertible Secured Debentures and Completion of Rights Offering

On March 23, 2016, the Company issued the Convertible Secured Debentures in an aggregate principal amount of $35,000,000, comprised of $25,000,000 aggregate principal amount issued pursuant to the Convertible Secured Debenture Private Placement and an additional $10,000,000 aggregate principal amount issued pursuant to the Rights Offering. The Convertible Secured Debentures issued pursuant to the Convertible Secured Debenture Private Placement are subject to a four month hold period as required by applicable securities law.

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 Shares at an initial conversion price of $0.35 per 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 Convertible Secured Debentures, are listed on the TSX under the symbol "CSM.DB.A".

The proceeds from the issuance of the Convertible Secured Debentures and certain asset sales were used to repay the Credit Agreement. As a result, the obligations of the subsidiary borrower of the Company and the other guarantors under the Credit Agreement were satisfied and discharged and the Credit Agreement was terminated.

(iv) ABL Facility

On March 23, 2016, ClearStream Energy Holdings LP, as borrower, entered into an asset-based lending credit agreement (the "**ABL Facility**") with (among others) the Company and certain of its other direct and indirect subsidiaries, as guarantors, and Bank of Montreal, as administrative agent (the "**ABL Agent**"). The ABL Facility is a revolving facility providing for maximum borrowings of up to $60,000,000 and carries a term of three years. The amount available to be drawn under the ABL Facility will vary from time to time, based upon a borrowing base determined with reference to accounts receivable balances. 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 Company and its guarantor subsidiaries. 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 the date hereof, a total of approximately $13,900,000 million is available to the borrower under the ABL Facility to draw. The ABL Facility contains and provides for certain covenants (including financial reporting) and events of default as are customary in agreements of this nature. As of the date of this report, ClearStream was in compliance with its financial covenants under the ABL Facility. The financial covenants applicable under the ABL Facility are as follows:

- Beginning on May 1, 2017, ClearStream must maintain a Fixed Charge Coverage Ratio of not less than 1.0:1.0 for each cumulative period ending on the last day of each month until March 31, 2018;
- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.1:1.0 for each twelve month period ending on and after April 30, 2018;
- ClearStream must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,500,000 during any fiscal year.

The Fixed Charge Coverage Ratio is defined as follows:

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

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

On Nov. 02, 2018, the company entered into a second amended and restated asset-based lending credit agreement dated November 2, 2018. The New Credit Agreement amends and replaces the prior asset-based lending credit agreement entered into. The New Credit Agreement adds a new term credit facility (the "Term Facility") pursuant to which certain Term Lenders (each of which is fully managed by Canso Investment Counsel, Ltd. ("Canso") in Canso's capacity as portfolio manager) will provide a non-revolving term credit facility to the company in the principal amount of $10,000,000. The proceeds of the Term Facility will be used to reduce the outstanding amount of the revolving facility under the New Credit Agreement and for certain fees and expenses associated in connection with the New Credit Agreement. The Term Facility matures on the earlier of (i) 180 days following the maturity date of the revolving facility under the New Credit Agreement; (ii) September 30, 2020; and (iii) the date on which the Term Facility is terminated earlier pursuant to the terms of the New Credit Agreement. The other covenants, terms and conditions under the New Credit Agreement remain substantially unchanged from the Prior Credit Agreement.

(v) Sale of Assets of Quantum Murray LP, Titan Supply and Gusgo Transportation LP

On March 23, 2016, ClearStream sold the majority of the assets of Quantum Murray and Titan Supply for cash proceeds of $8,800 and assumption of debt of approximately $3,000. ClearStream is entitled to an earn-out of approximately $6,200 if certain pre-determined free cash flow targets are achieved in 2017 through 2019.

On March 7, 2016, ClearStream sold its 80% interest in Gusgo as well as certain other related subsidiaries for cash proceeds of $4,000, with an additional $2,000 which was received on May 31, 2016. ClearStream is entitled to an earn-out of approximately $2,000 if an existing customer of Gusgo picks up its option to renew a contract in 2017 and 2018. $500 of the Gusgo earn-out was received in January 2018.

The net aggregate proceeds from these sales were used to repay outstanding indebtedness under the Credit Agreement.

(vi) Completion of the December 2017 Refinancing Transaction

On January 16, 2018, the Company completed the December 2017 Refinancing Transaction. In accordance with the rules of the TSX, the Company received permission from the TSX to obtain shareholder approval for the December 2017 Refinancing Transaction through the delivery of a written consent executed by holders of more than 50% of the issued and outstanding Common Shares, excluding those shareholders who also hold Convertible Secured Debentures, in lieu of holding a shareholder meeting. None of the consenting shareholders participated in the Private Placement.

2.2.2 Sale of transportation assets

On March 23 2018, the company successfully completed the sale of its transportation assets for total consideration of $3,400,000. The completion of the sale marks the closure of the Transportation division in order to focus attention on ClearStream's core business. A gain of $1,032,000 was recognized on the sale.

2.2.3 Proceedings with Access Holdings Management Company LLC

During July and early August of 2014, Access Holdings Management Company LLC ("**Access**") made repeated submissions to the TSX and the OSC to consider a temporary cease trade order in respect of the Orange Capital Private Placement. On August 11, 2014, the Company announced that it had reached an agreement with Access and First Series of Halcyon Trading Fund LLC (collectively, the "**Consortium**") whereby Access agreed to withdraw all proceedings. As part of the agreement, the Consortium agreed to certain restrictions on participating in dissident proxy solicitation or take-over bids until May 31, 2016 and to limit its acquisitions of Common Shares until September 30, 2015. The Company agreed to reimburse certain legal and professional expenses incurred by the Consortium.

2.2.4 Shareholder Rights Plan

As part of the Company's ongoing governance review, the Board terminated the Company's previous shareholder rights plan agreement dated July 25, 2014 and entered into a shareholder rights plan agreement with CST Trust Company, effective August 20, 2014 (the "**Rights Plan**"). The objective of the Rights Plan is to ensure, to the extent possible, that all shareholders of the Company are treated equally and fairly in connection with any initiative to acquire control of the Company. The Rights Plan was confirmed, ratified and approved by shareholders at the annual general meeting held on September 16, 2014.

2.2.5 Conversion of Unsecured Debentures

On March 24, 2014, the Company announced that it had repaid its 3.624% unsecured debentures due in 2014 (the "**Unsecured Debentures**") which were issued pursuant to a trust indenture dated March 23, 2011 between the Fund (as predecessor to ClearStream), as issuer and Computershare Trust Company of Canada, as debenture trustee (as the same was amended, supplemented or otherwise modified from time to time, the "**Unsecured Trust Indenture**"). In accordance with the terms of the Unsecured Debentures and the Unsecured Trust Indenture, the Company satisfied the total principal amount owing under the Unsecured Debentures in the amount of $26,552,000 through the issuance of a total of 8,493,143 Common Shares.

2.3 Significant Acquisitions

On September 23, 2018, the company completed the acquisition of AFX for total consideration of up to $3,088,000 AFX is a specialized manufacturer of wear resistant chromium carbide overlay and structural steel fabrication with operations in Alberta. The acquisition is expected to increase the manufacturing capacity of the company's existing Wear Technology business by 30%.

2.4 Significant Dispositions

See section 2.2 of this AIF

3. Description of the Business

3.1 Business Overview

ClearStream is a fully integrated provider of upstream, midstream and refinery production services, which includes facility maintenance and turnarounds, pipeline wear technology, facilities construction, welding and fabrication, and Environmental Services. The majority of ClearStream revenues are from maintenance and operations of existing facilities and infrastructure as opposed to construction of new facilities and infrastructure. ClearStream's maintenance contracts generally have terms of one to five years and are renegotiated and usually extended at the end of each term.

ClearStream (including its predecessor companies) has been in business since 1970 with operating locations throughout Alberta and north-eastern British Columbia. A new operating center was opened in southern Saskatchewan during 2017. The senior executive team and head office is located in Calgary.

ClearStream has approximately 200 full-time employees. The number of employees in the field varies from 1,500 to over 3,000 depending on seasonality and client demand. ClearStream provides services through both union and non-union labour offerings. The union labour offering is provided through a separate and distinct legal entity called Clearwater Energy Services LP and ClearWater Fabrication Services LP and under the "Clearwater" brand. Clearwater provides maintenance, turnarounds and fabrication services. All non-union labour is provided through the "ClearStream" brand.

3.2 Products and Services

ClearStream provides the following product offerings through two divisions; (i) Maintenance and Construction, and (ii) Wear, Fabrication and Environmental services.

3.2.1 Maintenance and Construction Services

A. Maintenance and Turnarounds: These services include providing complete plant and field support, quality control, field operations and safety management systems personnel. This business segment also performs plant turnarounds whereby a facility is shut down for a period of time for service and repair. ClearStream is typically involved from the start of shutdown planning to the completion of the shutdown. ClearStream's maintenance services often include the provision of materials and equipment required to execute day-to-day maintenance services; however, the capital requirements to complete maintenance and turnarounds services are low.

B. Facility and Pipeline Construction: ClearStream provides a full range of facility and small diameter pipeline construction services, including estimating, scheduling, inspection, procurement, project management and construction execution. The facility construction segment of ClearStream's business typically leads to its maintenance services being retained after the completion of construction.

C. Labour Supply: ClearStream supplies qualified heavy equipment operators and mechanics and general workers to oil sands mining operations in the Fort McMurray, Alberta region.

3.2.2 Wear, Fabrication and Transportation Services

A. Fabrication, Machining and Modular Assembly: This business line includes pipe spooling fabrication, skid packages and vessel dressing, structural fabrication, module assembly and rebuilds. These services are generally performed out of fabrication shops located throughout Alberta, with ClearStream's largest shop located in Edmonton, Alberta.

B. Wear Technology: This area of service increases the life expectancy of steel pipes and plates. Services include chromium carbide, tungsten carbide and proprietary overlays resulting in abrasion and corrosion resistant wear pipes and plates that are primarily used in the Canadian Oilsands.

C. Transportation: The company successfully completed the sale of its transportation assets on March 23, 2018 (see section 2.2.2).

3.3 Customers

ClearStream's largest customer base operates in the oil and gas industry and includes oil and gas production midstream and refining entities. ClearStream also has customers within the pulp and paper, fertilizer and utility industries.

ClearStream's client base includes some of the largest and most recognized names in the oil and gas industry. Three of Canada's largest integrated oil companies represent approximately 54% of ClearStream's revenues for the year ended December 31, 2018. Notwithstanding that, ClearStream operates in a dynamic marketplace that is constantly changing due to merger and acquisition activity within the energy industry. ClearStream has been successful in fostering long-standing relationships with its clients.

3.4 Industry Trends

The energy industry (and particularly the oil and gas industry) is prone to cyclical fluctuations. The financial health of exploration and production companies and the level of activity in this sector are directly correlated with the price of oil and gas.

Certain segments of the oil and gas services industry run in a parallel cycle to exploration and production. Other segments, including those related to annual maintenance and repair, are more insulated from industry cyclicality but are nevertheless still impacted by market conditions. ClearStream has made the strategic decision to focus on these less cyclical service areas in an effort to achieve operational and financial stability.

3.5 Competition

ClearStream's principal competitors include, but are not limited to: 1) large multinational engineering and construction organizations 2) Canadian-based industrial services entities, and 3) smaller regional industrial services entities throughout western Canada.

ClearStream believes that its focus on safety, people and operational excellence, combined with existing long term relationships with its customers, has made it a Western-Canadian market leader in its field and has created a strong competitive advantage.

4. RISK FACTORS

An investment in Common Shares involves a number of risks. In addition to the other information contained in this AIF and the Company'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 AIF. Any of the matters highlighted in these risk factors could have a material adverse effect on the Company's results of operations, business prospects or financial condition.

4.1 Risks Relating to the Company

4.1.1 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.

4.1.2 Change of Control

Subsequent to December 31, 2017, the Company issued a significant number 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 31, 2018. 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.

4.1.3 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 the 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 ClearStream's control.

4.1.4 Dependence on Key Personnel

The success of the Company depends on its senior management team and other key employees, including their 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.

4.1.5 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.

4.1.6 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.

4.1.7 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 its revenues for 2018.

4.1.8 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.

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.

4.1.9 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 its future operations.

4.1.10 Competition

The businesses 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.

4.1.11 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 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.

4.1.12 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.

4.1.13 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.

4.1.14 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 that 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 region where they operate.

4.1.15 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.

4.1.16 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.

4.1.17 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.

4.1.18 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 effect 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 effect on the price of the Company's securities.

4.1.19 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.

4.1.20 U.S. Protectionism

In November 2018, Canada, the U.S. and Mexico signed the Canada-United States-Mexico Agreement (CUSMA) with a view to replacing NAFTA. CUSMA includes a change to the oil and gas rules of origin which will allow Canadian exporters to more easily qualify for duty-free treatment for shipments to the U.S.. Legislators from each of the three countries must ratify CUSMA according to their own legislative processes before it goes into effect and replaces NAFTA. The outcome of the ratification process in each of these countries is not complete and is therefore uncertain; however, it is currently anticipated that CUSMA will come into force on January 1, 2020.

4.2 Risks Relating to the Company's Corporate Structure

4.2.1 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.

4.2.2 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 Partnership may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to an Operating Partnerships 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.

4.3 Risks Relating to Common Shares of the Company

4.3.1 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 will trade cannot be predicted. The market price of the Common Shares 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.

4.3.2 Restrictions on potential growth

Although the Company has successfully restructured its balance sheet, the majority of cash flow and all asset sale proceeds, if any, are anticipated to be used to pay down debt for the foreseeable future. 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.

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

4.4.1 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.

4.4.2 Payment of Interest

The Company's ability to pay principal and interest when due on the Senior Secured Debentures and/or Convertible Secured Debentures will depend, in part, on the ability of the December 2017 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 December 2017 Refinancing Transaction, the Company may not be able to pay principal and interest on the Senior Secured Debentures and/or Convertible Secured Debentures.

4.4.3 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 Indentures, the 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.

4.4.4 Redemption Prior to Maturity

Except upon the occurrence of a Change of Control (as defined in the Convertible Secured Indenture), the Convertible Secured Debentures will not be redeemable on or before the fifth anniversary of the Effective Date (as defined in the Convertible Secured Indenture) 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 sate. 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.

4.4.5 Dilution

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

4.4.6 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.

4.4.7 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.

5. DIVIDENDS

The Company has not paid any cash dividends to date on the Shares. Further, the Company intends to retain its earnings or make required payments under its senior indebtedness and does not expect to pay any cash dividends on its Shares in the foreseeable future. The actual timing, payment and amount of any dividends, if any, will be determined by the Board from time to time based upon, among other things, cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business considerations as the Board may consider relevant in addition to restrictions under the Senior Secured Debentures, the Convertible Debentures and/or the ABL Facility which prohibit dividends while amounts remain outstanding thereunder.

6. CAPITALIZATION OF THE COMPANY

6.1 Equity

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 (the "**Preferred Shares**"). As of December 31, 2018, there were 109,941,241 Common Shares issued and outstanding and as part of the 2018 refinancing transaction, ClearStream issued 127,565 of newly created Series 1 Preferred Shares. Subsequent to the refinancing transaction an additional 188 preferred shares issued as result of converted debentures. The total outstanding preferred shares as at December 31, 2018 were 127,753.

Each Common Share entitles the holder thereof to one vote at all meetings of shareholders other than meetings at which only the holders of another class or series of shares are entitled to vote. Each Common Share entitles the holder thereof to receive any dividends declared by the Board and the remaining property of the Company upon dissolution subject to the rights of securities of the Company having priority over the Common Shares.

The Preferred Shares are issuable in series and each class of Preferred Shares has such rights, restrictions, conditions and limitations as the Board may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Shares, to be paid rateably with holders of each other series of Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of the Company, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable to holders of such series. Unless required by law, the holders of Preferred Shares are not entitled to receive any notice of or attend any meeting of shareholders of the Company and shall not be entitled to vote at any such meeting.

As part of the December 2017 Refinancing Transaction, the Series 1 Preferred Shares series of Preferred Shares was created, and 127,565 Series 1 Preferred Shares were issued subsequent to December 31, 2017. The terms of the Series 1 Preferred Shares, created pursuant to articles of amendment of the Company dated January 4, 2018, 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. The Series 1 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.

The foregoing summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Company's articles of arrangement (as amended), which may be found on SEDAR at www.sedar.com.

6.2 Senior Secured Debentures

For information on the Senior Secured Debentures, see section 2.2.1 "The Refinancing Transactions".

6.3 Convertible Secured Debentures

For information on the Convertible Secured Debentures, see section 2.2.1 "The Refinancing Transactions".

6.4 Prior Sales

7. Market for Securities

The Company issued securities convertible into Common Shares of the Company during 2018, see (section 6.1) and (section 4.1.2).

7.1 Common Shares

The Common Shares are listed for trading on the TSX under the symbol "CSM". The following table sets out the high and low trading prices, and trading volumes of the Common Shares on the TSX for the period from January 1, 2018 to December 31, 2018. Prior to October 18, 2016, the Common shares were traded under the symbol “TX”.

Date	High	Low	Volume
Jan-18	0.10	0.08	2,271,000
Feb-18	0.10	0.09	1,306,300
Mar-18	0.09	0.06	689,900
Apr-18	0.08	0.06	533,500
May-18	0.08	0.07	1,423,600
Jun-18	0.08	0.06	757,900
Jul-18	0.07	0.05	862,500
Aug-18	0.05	0.04	1,531,400
Sep-18	0.05	0.03	1,217,200
Oct-18	0.04	0.03	3,812,700
Nov-18	0.03	0.01	8,125,600
Dec-18	0.02	0.01	4,488,400

7.2 Convertible Secured Debentures

On January 19th 2018, the company delisted its Convertible Secured Debentures for trading on the TSX under the symbol CSM.DB.A. as part of January 2018 Refinancing Transaction and pursuant to the terms of the Refinancing Agreement, Canso, in its capacity as portfolio manager for Canso Accounts, exchanged or is in the process of exchanging $75,000,000 principal amount of Senior Secured Debentures for 75,000 Preferred Shares and $33,565,000 principal amount of Convertible Secured Debentures for 33,565 Preferred Shares.

8. DIRECTORS AND OFFICERS

8.1 Directors and Officers

The following is a list of the directors and executive officers of the Company, and information regarding each individual including province or state of residence, position with the Company, date of appointment to the position with the Company and his or her principal occupation during the past five years. As of December 31, 2018, the directors of the Company were Jordan L. Bitove, Herbert Fraser Clarke, Dean T. MacDonald and Sean D. McMaster. All directors hold office until the next annual general meeting of shareholders or until their successors are elected or until the earlier of their death, resignation or removal of Peggy Mulligan resigned as director during 2018.

Name and Province / State of Residence	Position (Original Date of Election or Appointment)	Principal Occupation (past 5 years)
Jordan L. Bitove(I)(A)(C)(L) Ontario, Canada	Director (November 4, 2013)	Partner, Spectrum Capital Partners, a Toronto-based mid-market private investment firm.
Herbert Fraser Clarke(I)(A) Ontario, Canada	Director (October 2, 2013)	President and Chief Executive Officer, Massage Addict Incorporated, Canada's largest membership-based Massage therapy clinic.

Name and Province / State of Residence	Position (Original Date of Election or Appointment)	Principal Occupation (past 5 years)
Dean T. MacDonald Ontario, Canada	Director (December 1, 2008) Executive Chairman (June 29, 2015) Chief Executive Officer (December 1, 2008 to June 29, 2015) President (December 1, 2008 to December 17, 2014)	Executive Chairman, ClearStream Energy Services Inc. Chief Executive Officer, Tuckamore Capital Management Inc. (December 1, 2008 to June 29, 2015) President, Tuckamore Capital Management Inc. (December 1, 2008 to December 17, 2014)
Sean D. McMaster(I)(A)(C) Alberta, Canada	Director (September 16, 2014)	Retired Executive Vice President, Stakeholder Relations and General Counsel, TransCanada Corporation (to February 2014)
Randy Watt Alberta, Calgary	Chief Financial Officer (November 14, 2018)	Chief Financial Officer, ClearStream Energy Services Inc. Chief Financial Officer, Access Pipelines Partner Deloitte
Neil Wotton	Chief Operating Officer (November 8, 2016)	Chief Operating Officer, ClearStream Energy Services Inc. Senior Vice President of Operations, ClearStream Energy Holdings LP (August 10, 2015 to November 8, 2016) Senior Vice President – Oil and Gas Major Projects Aecom (2014-2015)

Notes:

(I) Denotes an "independent" director within the meaning of National Instrument 52-110 ("**NI 52-110**").
(A) Denotes member of the audit committee of the Board (the "**Audit Committee**").
(C) Denotes member of the compensation and corporate governance committee of the Board.
(L) Denotes "lead director" of the Board.
(R) Resigned as of June 11, 2018.

As at the date of this AIF, the directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or discretion over an aggregate of 11,873,654 Common Shares, representing 10.81% of the issued and outstanding Common Shares.

8.2 Audit Committee and Audit Fees

8.2.1 Audit Committee Charter

See Appendix “A”.

8.2.2 Composition of the Audit Committee

As of December 31, 2018, the members of the Audit Committee were Messrs. Clarke (Chair), McMaster, and Bitove. All members of the Audit Committee are independent and financially literate within the meaning of NI 52-110. The relevant education and experience of each Audit Committee member is set out below.

Mr. Clarke is the President and Chief Executive Officer of Massage Addict Incorporated. Previously, Mr. Clarke has held the positions of President and Chief Executive Officer of Herbal Magic, 57146 Newfoundland & Labrador Inc. and Hair Club for Men. Prior to this role, Mr. Clarke was an Associate at CCC Investment Banking and an Associate at Ernst & Young LLP. Mr. Clarke holds a Bachelor of Commerce (Honours) from Memorial University and is a designated Chartered Professional Accountant and Certified Financial Analyst.

Until February 2014, Mr. McMaster was Executive Vice President, Stakeholder Relations and General Counsel at TransCanada Corporation with overall responsibility for the management of TransCanada’s legal and regulatory affairs, stakeholder relations, internal audit, external communications, compliance and corporate security. He was a director of Bruce Power, the entity that operates North America’s largest nuclear facility. Mr. McMaster graduated from the University of Windsor in 1981 with a Bachelor of Arts (Honours) in Economics and Political Science. He received his Bachelor of Laws from the University of Alberta in 1989 and his Masters of Law from York University in 2006. Mr. McMaster obtained the Charter Director (C. Dir.) designation from the Directors College (a joint venture of McMaster University and the Conference Board of Canada) in 2010.

Mr. Bitove is a partner at Spectrum Capital Partners, a Toronto-based mid-market private investment firm. Formerly, Mr. Bitove was the President & CEO of Vision Group of Companies, an industry leader in creating experiential marketing experiences such as Canada’s Walk of Fame, the Formula One Grand Prix Ball Series and Hockey House at the 2010 Winter Olympic Games. Previously, Mr. Bitove launched Great Moments in Catering, which became Canada’s largest privately-held event catering company, serving the Molson Indy, Tennis Canada and numerous institutions. He also contributed significantly to the startup of the Toronto Raptors Basketball Club, the first NBA franchise awarded outside of the United States. He holds the position of Honorary Consul to the Republic of Macedonia. He is currently a board member of the SickKids Hospital Foundation and The Canadian Advisory Board for Right to Play. Mr. Bitove is a graduate of Western University and presently sits on its Board of Governors.

8.2.3 External Auditor Service Fees

The following table discloses fees billed to us by our independent auditors, Ernst & Young LLP:

Type of Service Provided	2018	2017
Audit Fees	$614,000	$514,000
Audit-Related Fees (1)	$10,000	-
All Other Fees (2)	-	$15,000
Total	$624,000	$529,500

(1) Audit-related fees are for services that are reasonably related to the performance of audit-related services but not included in the “Audit Fees”; including fees associated with the quarterly review of the interim consolidated financial statements.

(2) Other is for tax advisory services.

8.3 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company:

(a) is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including ClearStream) that,

(i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer;

(b) a director or executive officer of any company (including ClearStream) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

For the purposes of the paragraphs above, “order” means:

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

8.4 Conflicts of Interest

To the best of the Company’s knowledge, there are no known existing or potential conflicts of interest between the Company or any of its subsidiaries and any director or officers of the Company or of a subsidiary of the Company, except that certain directors and officers of the Company serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director and their duties as a director or officer of such other companies. See section 10 “Interest of Management and Others in Material Transactions”.

9. LEGAL PROCEEDINGS

On June 12, 2015, Brompton Corp. ("**Brompton**") served the Company and certain of its affiliates with a Statement of Claim seeking, among other things, indemnification for the Company's 40% share of the CRA's notices of reassessment relating to the 2010-2012 taxation years. In February 2017, the court granted judgment in favour of Brompton, ruling that the Company is required to indemnify Brompton; a provision was recorded at December 31, 2016 based on the estimated potential liability at that time. The Company appealed the decision to the Court of Appeal during 2017 but the Court of Appeal dismissed the appeal and upheld the decision to grant judgment in favour of Brompton in the amount of $4,969,000. At December 31, 2017, the Company has fully paid Brompton's claim.

There are no other legal proceedings to which the Company or any of its subsidiaries is the subject of, that are anticipated to be material to the Company, as of the date of this report.

Subsequent to December 31, 2018, and on February 25, 2019, the Company received a refund of $3,250,000, which represents 69% of the total payment previously made by ClearStream.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed under section 2.2 "Recent Developments" in connection with the Refinancing Transactions, no director, executive officer of the Company or any shareholder beneficially holding or controlling, directly or indirectly, more than 10% of the issued and outstanding common shares of the Company, or any of their respective associates or affiliates, had any material interest, direct or indirect, in any transaction during the financial year ended December 31, 2018 or in any proposed transaction that has materially affected or will materially affect the Company.

11. TRANSFER AGENT, REGISTRAR AND TRUSTEE

CST Trust Company Inc., located at 1 Toronto Street, Suite 1200, Toronto, Ontario, M5C 2V6, is the transfer agent and registrar of the Common Shares.

BNY Trust Company of Canada, located at 320 Bay Street, 11th Floor, Toronto, Ontario, M5H 4A6 is the registrar and debenture trustee of the Senior Secured Debentures and Convertible Secured Debentures.

12. MATERIAL CONTRACTS

The following lists the material contacts that the Company has entered into during its most recently completed financial year or before its most recently completed financial year and are still in effect:

(a) ABL Facility (see section 2.2.1 "The Refinancing Transactions");

(b) The Convertible Secured Indenture (see section 2.2.1 "The Refinancing Transactions");

(c) The Senior Secured Indenture (see section 2.2.1 "The Refinancing Transactions");

(d) The QM Asset Sale Agreement (see section 2.2.2 "Sale of Assets of Quantum Murray LP");

(e) The Backstop Commitment Letter (see section 2.2.1 "The Refinancing Transactions");

(f) The Purchase Agreement (see section 2.2.1 "The Refinancing Transactions");

(g) The Rights Plan (see 2.2.7 "Shareholder Rights Plan");

(h) First Amending Agreement to the Credit Agreement dated June 24, 2016;

(i) First Supplemental Convertible Secured Indenture dated August 11, 2016;

(j) First Supplemental Senior Secured Indenture dated August 11, 2016;

(k) Second Amending Agreement to the Credit Agreement dated August 25, 2016;

(l) Third Amending Agreement to the Credit Agreement dated December 23, 2016;

(m) Fourth Amending Agreement to the Credit Agreement dated June 30, 2017;

(n) The Refinancing Agreement dated December 27, 2017;

(o) The Amended and Restated Credit Agreement dated January 16, 2018

(p) Amendment and Restatement of Asset-Based Credit Agreement dated November 2, 2018

(q) Third Supplemental Convertible Secured Indenture dated November 30, 2018

Copies of the foregoing documents are available on the Company's profile on SEDAR at www.sedar.com.

13. INTEREST OF EXPERTS

The Company's independent external auditors are Ernst & Young LLP, Calgary, Alberta, Canada. Ernst & Young LLP has audited the consolidated financial statements of the Company for the financial year ended December 31, 2018, and has issued an audit report to the Company with respect to such financial statements. Ernst & Young LLP is independent of the Company in accordance with the requirements of the Alberta Institute of Chartered Professional Accountants.

14. ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular prepared in connection with the Company's most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for its financial year ended December 31, 2018.

APPENDIX A

AUDIT COMMITTEE CHARTER

Purpose and Authority

The primary function of the audit committee of the Company (the "**Audit Committee**") is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to shareholders and others, the systems of internal controls that management and the Board have established, and the Company's and its subsidiaries' audit and financial reporting process.

The external auditor's ultimate responsibility is to the Board and the Audit Committee, as representatives of the Company and its shareholders.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities outlined in this Charter. The Audit Committee is given full access to Management and records and its external auditor(s) as necessary to carry out these responsibilities.

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties as outlined in this Charter, and to set the compensation for any such advisors so employed by the Audit Committee.

The Board may at any time amend or rescind any of the provisions hereof or cancel them entirely with or without substitution.

Composition and Qualification

The Audit Committee will be comprised of three (3) or more directors of the Board, all of whom will be an independent director, in conformity with the laws, regulations and listing requirements to which the Company is subject.

Each member of the Audit Committee will serve only at the pleasure of the Board and, in any event, only so long as he or she shall be an independent director. The Board may fill vacancies in the Audit Committee by appointment, and if and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

All members of the Audit Committee shall be financially literate and thus be able to read and understand a set of financial statements that have a level of complexity of accounting that is comparable to that of the Company's financial statements. At least one (1) member of the Audit Committee will have accounting or related financial expertise. This could include past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including serving as or having served as a chief executive officer, chief financial officer or other senior officer of an entity with financial oversight responsibilities.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

(a) review and recommend to the Board for approval:

- the Company's financial statements and its Annual Information Form, Management's Discussion & Analysis reports, news releases and any earnings guidance and all public disclosure documents containing audited or unaudited financial information before release;
- recommendations of the external auditor(s) for strengthening internal controls to ensure that processes are in place to mitigate or eliminate risks associated with financial

reporting and cash management for the Company as well as the response of Management to these recommendations;

- ensure adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the disclosure referred to above, and periodically assess the adequacy of these procedures.

(b) review with Management all significant variances between comparative reporting periods in any financial statements of the Company, including variances in forecasted financial information from actual results which may have been included in any public documents of the Company;

(c) meet periodically with the external auditor(s) and at least once a year meet in confidence with the external auditor(s) and report to the Board on such meetings including the nature of the external auditor's recommendations and assume direct responsibility for overseeing the work of the external auditor(s);

(d) make recommendations to the Board as to the reappointment or appointment of the external auditor(s) and the nomination and remuneration of the external auditor(s) on an annual basis;

(e) if a change in external auditor(s) is proposed, the Audit Committee will inquire as to the reasons for the change, including the response of the incumbent external auditor(s) and inquire as to the qualifications of the newly proposed external auditor(s) before making its recommendation to the Board;

(f) (i) review the audit plans of the external auditor(s) and report to the Board any significant reservations the Audit Committee may have or the external auditor(s) have expressed with respect to such arrangements or scope; and (ii) review with the external auditor(s) the degree of coordination of those plans and inquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal controls;

(g) (i) review Management programs and policies regarding the adequacy of internal controls over the accounting and financial reporting systems within the Company; (ii) meet with appropriate officers of the Company to discuss the effectiveness of the internal control and information security procedures established for the Company; and (iii) receive reports relating to the control environment in connection with the trading activities of the Company;

(h) receive reports relating to compliance by the Corporation with the legal and regulatory obligations applicable to it;

(i) (i) review Management plans regarding any changes in accounting practices or policies and the financial impact thereof; and (ii) review any major areas of Management judgement and estimates that have significant effect upon the financial statements of the Company;

(j) review with Management, the external auditor(s) and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a materially adverse effect upon the financial position or operating result of the Company, and the manner in which these matters have been disclosed in the financial statements of the Company;

(k) review and pre-approve any non-audit related services provided by the external auditor(s) of the Company and the fees related thereto. Review and confirm the independence of the external auditor(s) by obtaining statements from such external auditor(s) on relationships between the external auditor(s) and the Company, including non-audit services, and discussing the relationships with the external auditor(s);

(l) review the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the external auditor(s), the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of support provided to the external auditor(s) and to review all other non-audit fees of the external auditor(s) and other accounting firms;

(m) report annually to the shareholders, describing the Audit Committee's composition, responsibilities and how they were discharged, and any other information required;

(n) perform other activities related to this charter as requested by the Board;

(o) establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, including a violation of the Company's Code of Business Ethics;

(p) review and assess the adequacy of the Audit Committee Charter annually, requesting Board approval for proposed changes;

(q) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor(s);

(r) confirm to the Board annually that all responsibilities outlined in this Charter have been carried out; and

(s) evaluate the Audit Committee's and individual members' performance on a regular basis.

Meetings

A quorum for the transaction of business of the Audit Committee shall consist of two members of the Audit Committee.

The Audit Committee will meet on a quarterly basis and will hold special meetings if circumstances require. The time of the meetings shall be determined by the Audit Committee.

The time and place for meetings of the Audit Committee and procedures at such meetings shall be determined from time to time by the Audit Committee. The Secretary of the Company shall, upon request of the Chairman of the Audit Committee, any member of the Audit Committee, the external auditor(s) , the Chief Executive Officer or Chief Financial Officer of the Company, call a meeting of the Audit Committee by letter, telephone, fax, telegram or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

Any member of the Audit Committee may participate in the meeting of the Audit Committee by means of conference telephone or other communication equipment and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board.

One of the members of the Audit Committee shall be elected as its Chairman by the Audit Committee or the Board and the Audit Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

The Audit Committee may invite such officers and employees of the Company and the external auditor(s) of the Company as it may see fit, from time to time, to attend meetings of the Audit Committee.