



**ClearStream**

First  
Quarter  
**2019**

**MD&A**

*Helping Customers*

*Bringing Resources to Our World*

DEAR SHAREHOLDERS

Overall demand for ClearStream's services was stable during the first quarter of 2019 as revenue was materially similar to the first quarter of 2018;

The Company's performance in the first quarter of 2019 increased compared to same period of last year as a result of the IFRS 16 implementation, market growth and market share gain in Northeast British Columbia and Northwest Alberta, high utilization and improved manufacturing efficiencies in our Wear Technology business. This has been partially offset by a reduction in volume and margins in our maintenance activity in Fort McMurray region and decline in our Fabrication union business. ClearStream continued to protect and grow market share in the first quarter of 2019. ClearStream has not lost any significant contracts over the past three years, which demonstrates our continued focus on client service and operational execution;

As part of our strategic plan for diversity and inclusion, and to capture the growth in Fort St. John and Northeast British Columbia, ClearStream entered into a formal joint venture with Blueberry River First Nations (BRFN) on February 13, 2019. The new formed JV will create value for both parties by leveraging our common strengths to become the leading industrial provider of asset integrity services in Northeastern British Columbia.

As part of its growth initiatives in 2019, the Company has announced that, subsequent to March 31, 2019, it that one of its wholly owned subsidiaries ClearStream Energy Holdings LP ("Holdings") had entered into two strategic acquisitions and concurrent equity and debt financings. An Asset Purchase Agreement to acquire certain assets of the production services division currently operated by AECOM Production Services Ltd. and certain of its affiliates was signed on April 29, 2019 by Holdings (the "AECOM Transaction"). Concurrent with this the AECOM Transaction, the Company Holdings has also signed on the same day a Share Purchase Agreement to acquire to acquire all of the issued and outstanding shares of Universal Weld Overlays Inc. (the "UWO Transaction" and, together with the AECOM Transaction, the "Transactions"). Subject to obtaining certain approvals under the Company's existing debt arrangements, the Company expects to finance the Transactions through a combination of equity financings and, with respect to the AECOM Transaction, a new debt facility from the Business Development Bank of Canada. The Transactions are expected to close in the second quarter of 2019, subject to the receipt of certain regulatory approvals, applicable approvals under the Corporation's Company's existing debt arrangements and the satisfaction of other customary closing conditions in respect of each Transaction. Furthermore, the Transactions are expected to:

- Expand the Customer Base – the Transactions will provide the Company with the opportunity to work with some of the largest industrial and energy companies operating in Canada and the United States, which will provide a new clients' base with an enhanced integrated offering.
- Enhance Operational Efficiencies – multiple near-term synergies and cost saving opportunities have been identified that may further enhance the economics of the Transactions.
- Increase Financial Flexibility – the combination of the Transactions and the Financings provides the Company with improved short and long term balance sheet flexibility.
- Improve Local Community Presence and Customer Service – the AECOM Transaction will increase the number of district offices and our capabilities for maintenance, turnaround and construction services in Western Canada while leveraging the well-recognized Flint brand.
- Complement Existing Service Lines – the UWO Transaction will complement our well-established Wear Technologies products and services for abrasion and corrosion resistance applications while leveraging the well-recognized UWO brand.

Overall market conditions have started to show some recovery with the rise in commodity prices. However, in light of commodity pricing volatility, upstream, mid-stream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. As a result, an increase in demand for our maintenance, turnaround, wear and environmental service lines services is expected to continue in 2019 and 2020.

With improving market conditions for maintenance and turnaround demand, combined with the integration of the two recently announced acquisitions, we are expecting to see improvement in the Company's performance in the remaining of 2019.

Thank you for your continued support.



Yves Paletta

Chief Executive Officer

## Management's Discussion and Analysis

May 14, 2019

The following is management's discussion and analysis ("MD&A") of the interim results of operations and balance sheet of ClearStream Energy Services Inc. ("ClearStream" or the "Company") for the three months ended March 31, 2019 and 2018. This MD&A should be read in conjunction with ClearStream's condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2019 and 2018 (the "Interim Financial Statements") and the audited consolidated financial statements for the years ended December 31, 2018 and 2017 (the "Annual Financial Statements").

All amounts in this MD&A are in Canadian dollars and expressed in thousands of dollars unless otherwise noted. The Interim Financial Statements have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Directors of ClearStream on the recommendation of its Audit Committee. This MD&A is dated May 14, 2019 and is current to that date unless otherwise indicated.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

This MD&A makes reference to certain measures that are not defined in IFRS and contains forward-looking information. These measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-Standard Measures" on page 4.

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

## Reportable Segments

The reportable segments discussed below, represent the reportable segments that the chief operating decision maker considers when reviewing the performance of ClearStream and deciding where to allocate resources.

ClearStream’s operations, assets and employees are located entirely in Canada. ClearStream utilizes EBITDAS and Adjusted EBITDAS as performance measures for its segmented results. These measures are considered to be non-standard measures under IFRS.

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

Note: The Environmental Services division has been included in the Wear, Fabrication and Transportation Services segment; the financial results for this division were not significant to overall financial results for this segment during the periods ending March 31, 2019.

**Forward-looking information**

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

**Non-standard measures**

The terms “EBITDAS” and “Adjusted EBITDAS” (collectively the “Non-standard measures”) are financial measures used in this MD&A that are not standard measures under IFRS. ClearStream’s method of calculating Non-standard measures may differ from the methods used by other issuers. Therefore, ClearStream’s Non-standard measures, as presented may not be comparable to similar measures presented by other issuers.

**EBITDAS** refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and stock based compensation. EBITDAS is used by management and the directors of ClearStream (the “Directors”) as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of ClearStream’s reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine ClearStream’s ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDAS in this MD&A.

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

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

## First Quarter 2019 Performance

### Summary Results (\$000's)

	Three months ended	
	March 31,	
	2019	2018
Revenues	\$ 83,954	\$ 84,794
Cost of revenues	(75,236)	(77,975)
Gross profit	8,718	6,819
Selling, general and administrative expenses	(5,150)	(4,675)
Stock based compensation expense	(64)	(79)
Amortization of intangible assets	(332)	(757)
Depreciation expense	(3,064)	(1,161)
Income from equity investment	25	32
Interest expense	(4,346)	(3,748)
Gain on sale of assets	-	1,032
Restructuring costs	(61)	(60)
Gain on sale of property, plant and equipment	52	52
Other loss	-	(282)
Net loss from continuing operations	(4,222)	(2,827)
Add:		
Amortization	332	757
Depreciation	3,064	1,161
Stock based compensation	64	79
Interest expense	4,346	3,748
EBITDAS	\$ 3,584	\$ 2,918
Gain on sale of assets	-	(1,032)
Gain on sale of property, plant and equipment	(52)	(52)
Restructuring costs	61	60
Other loss	-	282
One-time incurred expenses	244	-
Adjusted EBITDAS	\$ 3,837	\$ 2,176

## First Quarter 2019 Results

Revenues for the three months ended March 31, 2019 were \$83,954 compared to \$84,749 for the same period in 2018, a decrease of 1% sequentially. This decrease in 2019, in comparison to 2018, is driven by decreased demand and lower revenue in the Fort McMurray region and fabrication business. This decrease was partially offset by the increase in our Wear Technology Services and non-union maintenance revenue.

Gross profit for the three months ended March 31, 2019 was \$8,718 compared to \$6,819 in 2018. Gross profit margins increased by 27.8% sequentially despite the drop in revenue. This increase is largely due to IFRS 16 implementation impact. Excluding IFRS Implementation, gross margins remained flat. Lower volumes than anticipated led to losses in our union maintenance, turnaround and fabrication business which were offset by higher activity in our non-union, maintenance, turnaround and Wear business resulting in more favourable sales mix.

Selling, general and administrative (“SG&A”) costs for the three months ended March 31, 2019 were \$5,150, in comparison to \$4,675 in 2018. SG&A costs were higher by \$475 in 2019 relative to 2018 due largely to increased transition costs including but not limited to professional fees incurred in the Company’s growth initiatives. In addition, SG&A includes one-time expenses related to transition expenses incurred on the two strategic acquisitions expenses to be closed in the second quarter of 2019, and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. As a percentage of revenue, SG&A costs increased to 6.1% in 2019 compared to 5.5% in 2018. Included in SG&A costs are \$244 in one-time expenses.

Non-cash items that impacted the 2019 results were depreciation and amortization. Depreciation and amortization was \$3,397 for the three months ended March 31, 2019 compared to \$1,918 for 2018. The increase in depreciation and amortization expense was largely due to implementation of the new lease standard IFRS 16. In addition, ClearStream has lowered its maintenance capital spending programs in response to the challenging market conditions and to direct the Company’s liquidity to support the closing of its two strategic acquisitions in the second quarter of 2019.

For the three months ended March 31, 2019, interest costs, excluding accretion expense, were \$4,301 compared to \$3,214 in 2018. Interest expense increased by \$1,087 as result of accrued interest expense on term loan facility obtained in the fourth quarter of 2018 and the impact of IFRS 16 of \$930. Non-cash accretion expense was \$63 for 2019 compared to \$534 for 2018. Accretion expense relates to the debentures, which were recorded at their fair value, less financing costs, and accrete up to their face value using the effective interest method over their term.

Restructuring costs of \$61 were recorded during the three months ended March 31, 2019, in comparison to \$60 in 2018. These non-recurring restructuring costs are comprised of severance and location closure costs.

The loss from continuing operations was \$4,222 for the three months ended March 31, 2019, in comparison to \$3,538 in 2018.

The gain from discontinued operations was \$2,642 for the three months ended March 31, 2019, compared to loss of \$187 in 2018. The gain in 2019 includes the company’s share of an income tax reassessment won by Brompton offset by expenses that the Company continues to incur relating to the sale of businesses prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

For the three months ended March 31, 2019, Adjusted EBITDAS was \$3,837 compared to \$2,176 in 2018, this increase is largely due the implementation of IFRS 16, as well as an increase in Wear and non-union maintenance business’ gross margins partially offset by the above mentioned increase in SG&A costs.



## SEGMENT OPERATING RESULTS

### MAINTENANCE AND CONSTRUCTION SERVICES

	Three months ended March 31,	
	2019	2018
Revenues	67,390	69,258
Cost of revenues	(63,194)	(65,553)
Gross profit	4,196	3,705
Selling, general and administrative expenses	(193)	(255)
Amortization of intangible assets	(269)	(600)
Depreciation expense	(1,350)	(795)
Income from equity investments	25	32
Interest expense	(332)	(52)
Restructuring costs	(8)	-
Other income (expense)	-	-
Gain on sale of property, plant and equipment	52	30
Income from continuing operations	2,121	2,065
Add:		
Amortization of intangible assets	269	600
Depreciation expense	1,350	795
Interest expense	332	52
EBITDAS	4,073	3,512
Restructuring costs	8	-
Gain on sale of property, plant and equipment	(52)	(30)
Adjusted EBITDAS	4,029	3,482

### REVENUES

Revenues for the Maintenance and Construction Services segment were \$67,390 for the three months ended March 31, 2019 compared to \$69,258 in the prior year, which reflects a decrease of 3%. This decrease is largely due to decrease in maintenance demand in the Fort McMurray union business.

### GROSS PROFIT

Gross profit was \$4,197 for the three months ended March 31, 2019, compared to \$3,705 in 2018. Gross profit margins of 5.0% were essentially flat sequentially despite the drop in revenue. Gross profit margins increased by 1.0%, largely due to improved sales mix in open shop maintenance business as well as IFRS 16 implementation.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Maintenance and Construction segment were \$193 for the three months ended March 31 2019 compared to \$255 in 2018. SG&A expenses decreased on a year over year basis mainly due to reductions in headcount and discretionary spending which started in late 2018.

## WEAR, FABRICATION & TRANSPORTATION

	Three months ended March 31,	
	2019	2018
Revenues	17,029	15,549
Cost of revenues	(12,507)	(12,435)
Gross profit	4,522	3,114
Selling, general and administrative expenses	(381)	(122)
Amortization of intangible assets	(63)	(157)
Depreciation expense	(830)	(314)
Interest expense	(154)	(10)
Gain on sale of property, plant and equipment	-	10
Other loss	-	(282)
Gain on sale of assets	-	1,032
Income from continuing operations	3,094	3,271
Add:		
Amortization of intangible assets	63	157
Depreciation expense	830	314
Interest expense	154	10
EBITDAS	4,141	3,752
Other loss	-	282
Gain on sale of property, plant and equipment	-	(10)
Gain on sale of assets	-	(1,032)
Adjusted EBITDAS	4,141	2,992

ClearStream sold all Transportation assets on January 1, 2018. Total proceeds received on the sale were \$3,400 and a gain of \$1,032 was recognized on the sale.

### REVENUES

Revenues for Wear and Fabrication business continues to show robust results in the three months ended March 31, 2019 compared to same period of last year. Revenues for the three months March 31, 2019 were \$17,029 compared to \$15,549 in 2018. The increase in revenue was largely due to overall increase in demand in Wear. In addition, AFX acquisition completed in third quarter of 2018 added additional 30% capacity, which significantly contributed to such increase in revenue, offset by decrease in Fabrication due to lower demand in 2019.

### GROSS PROFIT

Gross profit was \$4,521 for the three months ended March 31, 2019, compared to \$3,114 in 2018. The increase in margin was largely due to an overall increase in demand in Wear leading to higher utilization and improved manufacturing efficiencies. Gross profit margins were 26.5% for the three months ended March 31, 2019, compared to 20% in 2018. This increase is largely due to operational efficiencies realized in 2019 compared to 2018 as well as IFRS 16 implementation.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Fabrication and Wear segment for the three months ended March 31, 2019 increased compared to the prior period due to additional costs to support increased revenue and the implementation of operational efficiencies initiated in late of 2018 and early of 2019.

## CORPORATE

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

	Three months ended March 31,	
	2019	2018
Selling, general administrative expenses	(4,576)	(4,298)
Stock based compensation expense	(64)	(79)
Depreciation expense	(884)	(52)
Interest expense	(3,860)	(3,686)
Restructuring costs	(53)	(60)
Gain on sale of property, plant and equipment	-	12
<b>Loss from continuing operations</b>	<b>(9,437)</b>	<b>(8,163)</b>
Add:		
Depreciation expense	884	52
Stock based compensation expense	64	79
Interest expense	3,860	3,686
<b>EBITDAS</b>	<b>(4,629)</b>	<b>(4,346)</b>
Restructuring costs	53	60
Gain on sale of property, plant and equipment	-	(12)
One-time incurred expenses	244	-
<b>Adjusted EBITDAS</b>	<b>(4,332)</b>	<b>(4,298)</b>

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were \$4,576 for the three months ended March 31, 2019 compared to \$4,298 in 2018. SG&A costs increased due to higher legal, consulting and people costs incurred to support the Company growth initiatives, business process improvement initiatives designed to increase operational effectiveness and lower operating costs. Included in SG&A costs are \$244 in one-time expenses, which include costs related to the two strategic acquisitions expected to close in the second quarter of 2019 and other growth initiatives. As a percentage of consolidated revenue, Corporate SG&A costs is 5.4% for the three months ended March 31, 2019 compared to 5.1% in 2018.

### Impact of IFRS 16 – Leases

Effective January 1, 2019, the Company has adopted IFRS 16 – Leases “IFRS – 16”. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

The Company has applied IFRS 16 using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17. Under IFRS 16, lease costs are

reflected on the statement of loss and comprehensive loss for the three months ended March 31, 2019 through depreciation and interest expense, resulting in an increase to EBITDAS.

The modified retrospective method resulted in a one-time adjustment of a \$46,306 (Net of \$41,246) addition of right-of-use assets and lease liabilities with no changes in retained earnings on January 1, 2019. During Q1 2019, the Company made payments of \$2,580 related to its lease obligations and recorded right of use asset depreciation and lease interest charges of \$930 and \$1,940, respectively. As a result of the new lease standard, EBITDAS was positively impacted by \$2,300 million.

## LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,	
	2019	2018
Cash provided (used in) by operating activities	\$ 4,614	\$ (11,232)
Total cash (used in) provided by investing activities	(120)	2,251
Total cash (used in) provided by financing activities	(13,098)	4,332
Consolidated cash	2,234	(1,689)

### OPERATING ACTIVITIES

Cash provided (used) in operating activities represents the net loss incurred during the three months ended March 31, 2019 adjusted for interest and non-cash items, combined with the decrease in working capital.

### INVESTING ACTIVITIES

Cash inflows related to investment activities consist of proceeds of \$85 from the disposal of certain assets. These proceeds were offset partially by purchase of assets during the three month ended March 31, 2019 for \$36.

Due to challenging market conditions, capital spending was kept to a minimum and non-essential operating assets were sold during the three months ended March 31, 2019.

### FINANCING ACTIVITIES

The balance on the ABL facility decreased by \$10,000 to \$22,961 during the three months ended March 31, 2019. At March 31, 2019, the ABL borrowing base is \$25,510 leaving \$8,530 of availability on the facility.

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

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

The Fixed Charge Coverage Ratio is defined as follows:

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

At March 31, 2019, the company was not in compliance with all financial covenants under the ABL Facility and therefore the amount drawn on the ABL Facility was reclassified as current. The cross-default provisions in the agreement results in an event of default under the ABL Facility being considered an event of default under both the senior secured and convertible secured debenture agreements; therefore, all debt was required to be classified as current at March 31, 2019.

On May 14, 2019, the company signed Third Amending and Waiver Agreement, in accordance with Section 16.2 of this agreement, the undersigned Lenders hereby agreed to waive the Financial Statements Defaults for the period ended March 31, 2019.

The Third Amending and Waiver Agreement constitutes changes to the financial covenants as per the second amended and restated credit agreement dated November 2, 2018. The amended financial covenants under the Third Amending and Waiver Agreement are as follows:

- ClearStream must maintain a monthly minimum cumulative EBITDA commencing on March 31, 2019 as follows:

<u>Month</u>	<u>Minimum Cumulative EBITDA</u>
31-Mar-19	1,158
30-Apr-19	1,832
31-May-19	2,655
30-Jun-19	4,010
31-Jul-19	4,699
31-Aug-19	5,348
30-Sep-19	6,142
31-Oct-19	6,709
30-Nov-19	7,626
31-Dec-19	8,030

- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding \$5,800 during any fiscal year.

The Company shall (a) obtain, or cause to be obtained, on or prior to June [28], 2019, the consent of holders of 66 2/3% of Senior Secured Debentures outstanding required pursuant to the Senior Secured Indenture in order to permit the implementation of the 2019 Interest Preferred Share Issuance and the 2019 Interest Prepayment, and (b) promptly thereafter make the 2019 Interest Prepayment.

At each reporting date, management makes an assessment as to whether ClearStream will continue to meet the going concern assumption over the next twelve months. Making this assessment requires significant judgment with respect to forecasted EBITDA and Debt Servicing Costs. Under the Third Amending and Waiver Agreement signed on May 14, 2019 and based on management’s current forecast, ClearStream is expected to be in compliance with the new covenants requirements under the ABL Facility over the next twelve months. However, there continues to be a risk that the Company will not meet forecasted expectations and therefore breach financial covenants within the next twelve months.

## Critical Accounting Policies and Estimates

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

## Recently Adopted Accounting Pronouncements

### IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16 provides a single accounting model for lessees that requires the recognition of assets and liabilities on the balance sheet for contracts that are, or contain, a lease. The accounting treatment for lessors remains substantially unchanged.

On transition, the Company elected to apply the modified retrospective approach. The Company has elected to use hindsight in determining the term of contracts that contain an option to extend or terminate a lease. The Company has elected to rely on its assessment of whether leases are onerous by applying IAS 37 Provision, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Company has elected to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

On an ongoing basis, the Company has elected to not recognize right of use assets and lease liabilities for contracts that have a lease term of 12 months or less and leases of low value assets. The payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease liabilities have been measured using the present value of the remaining lease payments discounted at the Company's weighted average incremental borrowing rate of 8.12%. Right of use assets have initially been recognized at an amount equal to the lease liability.

The following table summarizes the difference between operating lease commitments disclosed applying IAS 17 at the previous annual reporting period and lease liabilities recognized in the consolidated statement of financial position on transition.

<b>Operating lease commitments at December 31, 2018</b>	\$ 46,978
Effect of discounting	(12,416)
<b>Discounted Operating lease liabilities at January 1, 2019</b>	34,562
Exemption for short-term leases	(418)
Exemption for low value leases	(54)
Additional leases identified through reassessment of leases under IFRS 16	874
Adjustments as a result of a different treatment of extension and termination options	11,342
<b>Lease liabilities recognized at January 1, 2019</b>	<b>\$ 46,306</b>
<b>Consisting of:</b>	
Current lease liabilities	6,823

Non-current lease liabilities	39,483
	<b>46,306</b>

The recognized right-of-use assets on transition relate to the following types of assets:

	March 31, 2019	January 1, 2019
Land	\$12,669	\$13,291
Building	31,635	32,945
Equipment	62	70
Onerous agreements adjustment	(5,060)	(5,060)
<b>Total Right of Use Assets</b>	<b>39,306</b>	<b>41,246</b>

There was no net impact on retained earnings on January 1, 2019.

### New standards and interpretations not yet adopted

As at the date of the authorization of these consolidated financial statements, there were no new standards, interpretations or amendments relevant to the Company's operations issued that were not yet effective for the period ended March 31, 2019 and have not been applied in preparing these interim consolidated financial statements

### CONTINGENCIES

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

### Summary of Quarterly Results

#### (\$000s except unit amounts)

	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Revenues	83,954	77,840	\$85,996	\$129,702	\$ 84,794	\$ 81,972	\$ 85,927	\$ 111,559
Gross Margin	\$8,718	\$6,169	\$7,400	\$6,709	6,819	6,171	6,635	11,073
Gross Margin %	10.4%	7.9%	8.6%	5.2%	8.0%	7.5%	7.7%	9.9%
Net loss from continuing operations	(4,222)	(3,153)	(20,834)	(3,097)	(2,988)	(21,207)	(6,120)	(1,510)
Net loss	(1,580)	(2,543)	(20,694)	(3,210)	(3,175)	(22,345)	(6,170)	(3,397)
Loss per share from continuing operations	(0.04)	(0.03)	(0.19)	(0.03)	(0.03)	(0.19)	(0.06)	(0.01)
Loss per share	(0.01)	(0.02)	(0.19)	(0.03)	(0.03)	(0.20)	(0.06)	(0.03)

ClearStream's revenues are somewhat seasonal, in particular for the Maintenance and Construction segment. Typically, there are scheduled shutdown turnaround projects in the spring and fall which increases revenues over and above the standard maintenance and operational support services.

### TRANSACTIONS WITH RELATED PARTIES

As of March 31, 2019, directors, officers and key employees beneficially hold an aggregate of 11,873,654 common shares or 10.81% on a fully diluted basis. Two operating leases for property, with quarterly rents of \$78 and \$100 are with a landlord in which certain executives of ClearStream hold an indirect minority interest. These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties. For the year ended



## SUBSEQUENT EVENTS

### 1. 2019 potential Acquisitions

On April 30, 2019, the Company announced that Holdings had entered into the AECOM Transaction, pursuant to which it will acquire certain assets of the production services division currently operated by AECOM Production Services Ltd. and certain of its affiliates for a purchase price of \$18.2 million for the assets and approximately \$20 million for the working capital, subject to certain closing adjustments. Concurrent with the AECOM Transaction, Holdings also entered into the UWO Transaction, pursuant to which it will acquire all of the issued and outstanding shares of Universal Weld Overlays Inc. for a purchase price of approximately \$12 million to be paid on closing, subject to deferred consideration and earn-out adjustments for an aggregate purchase price of up to \$15.3 million. The Transactions are expected to close in the second quarter of 2019, subject to the receipt of certain regulatory approvals, applicable approvals under the Company's existing debt arrangements and the satisfaction of other customary closing conditions in respect of each Transaction. Subject to obtaining certain approvals under the Company's existing debt arrangements, the Company expects to finance the Transactions through a combination of equity financings of series 2 preferred shares issued on a prospectus exempt basis to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and with respect to the AECOM Transaction, a new debt facility from the Business Development Bank of Canada. The Transactions, while entered into concurrently, are not cross-conditional.

### 2. ABL facility renewal

On May 14, 2019, the second amended and restated credit agreement dated November 2, 2019 between Holdings, as borrower, and (among others) Bank of Montreal, as administrative agent, was further amended to (among other things) extend the maturity date to March 23, 2020 and provide for certain borrowing base and financial covenant amendments.

## SHARE CAPITAL

The authorized share capital of the Company consists of: (i) an unlimited number of common shares, and (ii) preferred shares issuable in series to be limited in number to an amount equal to not more than one half of the issued and outstanding common shares at the time of issuance of such preferred shares. As of December 31, 2018, there were 109,941,241 common shares issued and outstanding and nil preferred shares issued and outstanding. In 2018 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 March 31, 2019 were 127,753.

## OUTLOOK

Overall market conditions have started to show some recovery with the rise in commodity prices. However, in light of commodity pricing volatility, upstream, mid-stream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. As a result, an increase in demand for our maintenance, turnaround, wear and environmental service lines services is expected to continue in 2019 and 2020.

Improving market conditions for maintenance and turnaround demand, combined with the successful integration of the two recently announced acquisitions, are expected to result in an increase in 2019 profitability compared to 2018.



## RISK FACTORS

There are no updates to ClearStream's risk factors. For further discussion, refer to ClearStream's MD&A or AIF dated March 21, 2019 for the year ended December 31, 2018.

## DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of ClearStream's disclosure controls and procedures as at December 31, 2018 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by ClearStream in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended. The CEO and CFO have certified the appropriateness of the financial disclosures in ClearStream's filings for the quarter ended March 31, 2019 with securities regulators, including this MD&A and the accompanying unaudited consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

### Internal controls over financial reporting

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

There have been no changes in internal controls over financial reporting during the quarter ended March 31, 2019 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting. Furthermore, ClearStream's management, including its CEO and CFO, have evaluated the effectiveness of

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

ADDITIONAL INFORMATION Additional information relating to ClearStream including ClearStream's AIF is on SEDAR at [www.sedar.com](http://www.sedar.com) or on our website [www.ClearStreamenergy.ca](http://www.ClearStreamenergy.ca)



**ClearStream** |||

Condensed  
Consolidated  
Interim Financial  
Statements for  
*Three months ended  
March 31, 2019 and  
2018*

*Helping Customers*

*Bringing Resources to Our World*

**CLEARSTREAM ENERGY SERVICES INC.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(UNAUDITED)

## CLEARSTREAM ENERGY SERVICES INC.

### Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)

(Unaudited)

	Notes	March 31, 2019	December 31, 2018
<b>Assets</b>			
Cash		\$ 2,234	\$ 10,838
Restricted cash	2	980	980
Accounts receivable	11	66,710	59,715
Inventories		7,477	5,734
Prepaid expenses and other		1,780	2,046
<b>Total current assets</b>		<b>79,181</b>	<b>79,313</b>
Property, plant and equipment	5&1b	61,873	23,520
Goodwill and intangible assets		7,352	7,685
Long-term investments		463	438
Deferred financing costs	6	258	629
<b>Total assets</b>		<b>\$ 149,127</b>	<b>\$ 111,585</b>
<b>Liabilities and Shareholders' Equity</b>			
Accounts payable and accrued liabilities		\$ 38,042	\$ 28,417
Deferred revenue		205	21
Contingent consideration liability		638	638
Current portion of Lease liabilities		8,108	1,777
ABL facility	6a	22,961	32,961
Senior secured debentures	6b	96,803	-
Convertible secured debentures	6c	858	-
Current portion of provision		-	1,072
<b>Total current liabilities</b>		<b>167,615</b>	<b>64,886</b>
Provision		-	3,989
Lease liabilities	1b	41,519	3,549
Senior secured debentures	6b	-	96,746
Convertible secured debentures	6c	-	852
<b>Total liabilities</b>		<b>\$ 209,134</b>	<b>\$ 170,022</b>
Common shares		462,036	462,036
Preferred shares	7	102,203	102,203
Contributed surplus		20,726	20,716
Deficit		(644,972)	(643,392)
<b>Total shareholders' deficit</b>		<b>(60,007)</b>	<b>(58,437)</b>
<b>Total liabilities and shareholders' deficit</b>		<b>\$ 149,127</b>	<b>\$ 111,585</b>

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

**CLEARSTREAM ENERGY SERVICES INC.**
**Consolidated Interim Statements of Loss and Comprehensive Loss**

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

	Notes	Three months ended March 31,	
		2019	2018
Revenue	9	\$ 83,954	\$ 84,794
Cost of revenue		(75,236)	(77,975)
<b>Gross profit</b>		8,718	6,819
Selling, general and administrative expenses	10	(5,150)	(4,675)
Share based compensation	11	(64)	(79)
Amortization of intangible assets		(332)	(757)
Depreciation expense	5&1b	(3,064)	(1,161)
Income from equity investment		25	32
Interest expense		(4,346)	(3,748)
Gain on sale of assets	4	-	1,032
Restructuring costs		(61)	(60)
Other loss	7	-	(282)
Gain on sale of property, plant and equipment		52	52
<b>Loss from continuing operations before taxes</b>		(4,222)	(2,827)
Deferred income tax recovery		-	(161)
<b>Loss from continuing operations</b>		(4,222)	(2,988)
Gain (Loss) from discontinued operations (net of income taxes)		2,642	(187)
<b>Net loss and comprehensive loss</b>		\$ (1,580)	\$ (3,175)
<b>Gain (Loss) per share (dollars)</b>			
Basic & diluted:			
Continuing operations		\$ (0.04)	\$ (0.03)
Discontinued operations		\$ 0.02	\$ (0.00)
Net loss		\$ (0.01)	\$ (0.03)

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

**CLEARSTREAM ENERGY SERVICES INC.**
**Consolidated Interim Statements of Shareholders' Deficit**

(In thousands of Canadian dollars, except number of shares)

(Unaudited)

	Notes	Number of shares	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Total Shareholders' Deficit
At December 31, 2018		109,941,241	\$ 462,036	\$ 102,203	\$ 20,716	\$ (643,392)	\$ (58,437)
Net loss		-	-	-	-	(1,580)	(1,580)
Stock based compensation	12	-	-	-	10	-	10
At March 31, 2019		109,941,241	\$ 462,036	\$ 102,203	\$ 20,726	\$ (644,972)	\$ (60,007)

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

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

## CLEARSTREAM ENERGY SERVICES INC.

### Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)  
(Unaudited)

	Notes	Three months ended, March 31,	
		2019	2018
<b>Operating activities:</b>			
Net loss		\$ (1,580)	\$ (3,175)
Loss from discontinued operations (net of income tax)		(2,642)	187
Adjustments for:			
Stock based compensation	11	10	79
Amortization of intangible assets		332	757
Depreciation	5&1b	3,064	1,161
Income from equity investments		(25)	(32)
Accretion expense	6b,6c	63	534
Other loss	7	-	282
Onerous lease payments	7	-	(642)
Amortization of deferred financing costs	6a	371	151
Gain on sale of assets held for sale	4	-	(1,032)
Gain on sale of property, plant and equipment		(52)	(52)
Changes in non-cash working capital		2,431	(9,263)
Cash used in discontinued operations		2,642	(187)
Cash flow provided by (used in) operating activities		\$ 4,614	\$ (11,232)
<b>Investing activities:</b>			
Purchase of property, plant and equipment	5&1b	(205)	(265)
Net proceeds on disposal of property, plant and equipment	5&1b	85	176
Proceeds on the disposition of businesses	4	-	3,400
Transaction costs	4	-	(1,060)
Cash flow provided by investing activities		\$ (120)	\$ 2,251
<b>Financing activities:</b>			
Decrease in restricted cash		-	(8,000)
Increase in bank indebtedness		-	1,689
Proceeds from the issuance of preferred shares	8	-	19,000
Repayment of senior secured debentures	6b	-	(2,340)
Refinancing fees	6b	-	(3,681)
Repayment of ABL facility		(10,000)	(3,000)
Repayment of lease liabilities		(3,098)	(428)
Changes in non-cash working capital		-	1,092
Cash flow (used in) provided by financing activities		\$ (13,098)	\$ 4,332
<b>Decrease in cash</b>		<b>(8,604)</b>	<b>(4,649)</b>
Cash, beginning of the period		10,838	4,649
Cash, end of the period		\$ 2,234	\$ -

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

**CLEARSTREAM ENERGY SERVICES INC.****Notes to Condensed Consolidated Interim Financial Statements**

(In thousands of Canadian dollars)  
(unaudited)

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**Reporting Entity**

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

These condensed interim consolidated financial statements were authorized for issuance in accordance with a resolution of the Board of Directors of ClearStream on May 14, 2019.

The Maintenance and Construction services segment’s revenues and profits are impacted by seasonality. Peak business activity for this segment is typically highest during the second and third quarters when spring and fall facility shutdowns take place.

**1. Significant accounting policies****a. Basis of Presentation**

These condensed interim consolidated financial statements (“interim financial statements”) have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Financial Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. Accordingly, the interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2018. These interim financial statements follow the same accounting policies and methods of computations as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policy discussed in part b) below.

These condensed interim financial statements have been prepared on a historical cost basis and presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

Certain amounts in the previous periods’ presented herein have been reclassified to conform to the current period presentation.



b. Recently Adopted Accounting Pronouncements

IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16 provides a single accounting model for lessees that requires the recognition of assets and liabilities on the balance sheet for contracts that are, or contain, a lease. The accounting treatment for lessors remains substantially unchanged.

On transition, the Company elected to apply the modified retrospective approach. The Company has elected to use hindsight in determining the term of contracts that contain an option to extend or terminate a lease. The Company has elected to rely on its assessment of whether leases are onerous by applying IAS 37 Provision, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Company has elected to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

On an ongoing basis, the Company has elected to not recognize right of use assets and lease liabilities for contracts that have a lease term of 12 months or less and leases of low value assets. The payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease liabilities have been measured using the present value of the remaining lease payments discounted at the Company’s weighted average incremental borrowing rate of 8.12%. Right of use assets have initially been recognized at an amount equal to the lease liability.

The following table summarizes the difference between operating lease commitments disclosed applying IAS 17 at the previous annual reporting period and lease liabilities recognized in the consolidated statement of financial position on transition.

<b>Operating lease commitments at December 31, 2018</b>	\$ 46,978
Effect of discounting	(12,416)
<b>Discounted Operating lease liabilities at January 1, 2019</b>	34,562
Exemption for short-term leases	(418)
Exemption for low value leases	(54)
Additional leases identified through reassessment of leases under IFRS 16	874
Adjustments as a result of a different treatment of extension and termination options	11,342
<b>Lease liabilities recognized at January 1, 2019</b>	<b>\$ 46,306</b>
<b>Consisting of:</b>	
Current lease liabilities	6,823
Non-current lease liabilities	39,483
	<b>46,306</b>

The recognized right-of-use assets on transition relate to the following types of assets:

	March 31, 2019	January 1, 2019
Land	\$12,669	\$13,291
Building	31,635	32,945
Equipment	62	70
Onerous agreements adjustment	(5,060)	(5,060)
<b>Total Right of Use Assets</b>	<b>39,306</b>	<b>41,246</b>

There was no net impact on retained earnings on January 1, 2019.

At December 31, 2017, a property rental contract related to the Transportation CGU was deemed to be onerous and therefore a provision of \$5,778 was recorded. The following table outlines the changes to the provision recorded during the three months ended March 31, 2019 and the impact of IFRS 16 implementation

Opening balance, at December 31, 2018	\$	5,060
IFRS 16 adjustment		(5,060)
		-
Balance at March 31, 2019	\$	-

#### Update to significant Accounting Policies

The company has revised the description of its accounting policy for leases as follows:

##### Leases as a Lessee

The Company assesses whether a contract is or contains a lease at inception. The Company recognizes a right of use asset and corresponding lease liability with respect to all lease contracts in which it is a lessee, except for leases with a term of twelve months or less or leases of low value assets.

A right of use asset and lease liability is recognized on the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, less any lease incentives received. Right to use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date. The associated lease payments are discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. The lease liability is remeasured

when there is a change in future lease payments arising from a change in an index or rate, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected to not recognize right of use assets and lease liabilities for contracts that have a lease term of 12 months or less, do not contain a purchase option and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### Leases as a Lessor

The Company enters into sub-lease agreements as a lessor with respect to some of its buildings. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease.

Leases for which the Company is a lessor are classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Amounts due from lessees under finance leases are recognized as receivables of the Company net investment in the leases. Finance lease income is allocated to reflect a constant periodic gain over the life of the leases.

#### c. New standards and interpretations not yet adopted

As at the date of the authorization of these consolidated financial statements, there were no new standards, interpretations or amendments relevant to the Company's operations issued that were not yet effective for the period ended March 31, 2019 and have not been applied in preparing these interim consolidated financial statements

### 2. Restricted cash

Restricted cash of \$980 at March 31, 2019 ( December 31, 2018 - \$980) is backing letters of credit and cash in trust held on behalf of insurance providers.

### 3. Earn-out assets

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

As a result of the sale of its 80% interest in Gusgo in March 2016, ClearStream was entitled to an earn-out of \$1,500 if a customer of Gusgo exercised its option to renew an existing contract at

December 31, 2018. During the second quarter of 2018, the Company negotiated an early settlement of the earn-out for \$1,225.

b) Quantum Murray and Titan earn-out

As a result of the sale of the majority of the net assets of Quantum Murray and Titan in March 2016, ClearStream is entitled to an earn-out of up to approximately \$6,200 if certain pre-determined free cash flow targets are achieved for the years ended March 31, 2019, 2018 and 2017. For the years ended March 31, 2018 and 2017 the free cash flow targets were not met and no earn-out was received. As a result, the earn-out amount for the first and second years can instead be earned in the year ending March 31, 2019 if the free cash flow in 2019 exceeds that year’s target combined with the targets for the year ended March 31, 2018 and 2017.

The variable consideration available to ClearStream as a result of the Quantum Murray and Titan earn-out was measured at March 31, 2019 using the “expected value method”, which was determined to be \$nil (December 31, 2018 - \$nil) as a result of the application of the variable consideration constraint.

4. **Assets for sale**

On March 14, 2018, the Company sold the assets and ongoing business operations of the Transportation Cash Generating Unit (“CGU”) for cash consideration of \$3,400, excluding transaction costs of \$1,060, and recognized a gain on disposal in the amount of \$1,032 within the Statement of Loss for the three months ended March 31, 2018.

5. **Property, plant and equipment**

During the three months ended March 31, 2019, the Company acquired assets with a cost of \$205 (three months ended March 31, 2018 - \$917).

Cost as at December 31, 2018	76,691
IFRS 16 Transition adjustment	41,245
Cost as at January 1, 2019	117,936
Additions	205
Disposals	(297)
Cost at March 31, 2019	117,844
Accumulated depreciation as at January 1, 2019	53,171
Depreciation	3,064
Disposals	(264)
Accumulated depreciation as at March 31, 2019	55,971
Net book value, January 1, 2019	64,765
Net book value, March 31, 2019	61,873

As at March 31, 2019, included in PPE is Right of Use assets with a NBV of \$50,206 which consist land NBV of \$7,609, buildings NBV of \$31,635, vehicles leases NBV of \$10,901 and equipment

leases NBV of \$62. For the three months ended March 31, 2019, the Company recorded \$1,954 in depreciation expense on ROU assets.

As at March 31, 2019, property, plant and equipment included \$11,235 (December 31, 2018 - \$11,867) that was subject to a general security agreement under the senior secured debentures and the convertible secured debentures.

## 6. ABL facility and debentures

### a) ABL Facility

The ABL Facility is comprised of a revolving facility providing for maximum borrowings of up to \$50,000 (the “Revolving Facility”) and a term loan facility of \$10,000 (the “Term Loan Facility”). The Revolving Facility matures on March 23, 2019 and the Term Loan Facility matures on September 19, 2019.

The amount available to be drawn under the Revolving Facility will vary from time to time, based upon a borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at March 31, 2019 is \$25,510 (December 31, 2018 - \$29,690). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The ABL Facility contains and provides for certain covenants, such as the maintenance of fixed charge coverage ratios, financial reporting and events of default as are customary in transactions of this nature. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4% if the Revolving Facility is more than 50% drawn.

The amount of the Term Loan Facility was required to be used to reduce amounts outstanding under the Revolving Facility. The Term Loan was fully drawn at March 31, 2019 and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 200 basis points.

As at March 31, 2019, \$12,961 (December 31, 2018 - \$22,961) was drawn on the Revolving Facility, and there were \$2,750 of letters of credit further reducing the amount available to be drawn. Accordingly \$8,530 was available on the Revolving Facility (December 31, 2018 - \$4,479). The Company incurred \$1,727 in deferred financing fees associated with the ABL Facility in 2016 and an additional \$743 in fees in 2018. These costs are being amortized over the term of the facility. As at March 31, 2019, the net unamortized amount of deferred financing costs was \$258 (December 31, 2018 - \$629). The financial covenants applicable under the ABL Facility are as follows:

- ClearStream must maintain a Fixed Charge Coverage Ratio of 1.0:1.0 for each twelve month period ending on and after April 30, 2018; and

- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding \$6,500 during any fiscal year.

The Fixed Charge Coverage Ratio is defined as follows:

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

divided by:

- Debt servicing costs, which is the interest paid or payable on all debt balances for the relevant period (not including the amortization of deferred financing costs and accretion) plus finance lease payments (excluding any interest paid using proceeds from the preferred share issuance in January 2018 (refer to Note 7)

At March 31, 2019, ClearStream was not in compliance with all financial covenants under the ABL Facility and therefore the amount drawn on the ABL Facility was reclassified as current. The cross-default provisions in the agreement results in an event of default under the ABL Facility being considered an event of default under both the senior secured and convertible secured debenture agreements; therefore, all debt was required to be classified as current at March 31, 2019.

At December 31, 2018, ClearStream’s fixed charge coverage ratio was 1.01:1.00. ClearStream was in compliance with all financial covenants under the ABL Facility as at December 31, 2018.

On May 14, 2019, the company signed Third Amending and Waiver Agreement, in accordance with Section 16.2 of this agreement, the undersigned Lenders hereby agreed to waive the Financial Statements Defaults for the period ended March 31, 2019.

The Third Amending and Waiver Agreement constitutes changes to the financial covenants as per the second amended and restated credit agreement dated November 2, 2018. The amended financial covenants under the Third Amending and Waiver Agreement are as follows:

- ClearStream must maintain a monthly minimum cumulative EBITDA commencing on March 31, 2019 as follows:

<u>Month</u>	<u>Minimum Cumulative EBITDA</u>
31-Mar-19	1,158
30-Apr-19	1,832
31-May-19	2,655
30-Jun-19	4,010
31-Jul-19	4,699
31-Aug-19	5,348
30-Sep-19	6,142
31-Oct-19	6,709
30-Nov-19	7,626
31-Dec-19	8,030

- ClearStream must not expand or become obligated for any capital expenditures in an aggregate amount exceeding \$5,800 during any fiscal year.

The Company shall (a) obtain, or cause to be obtained, on or prior to June [28], 2019, the consent of holders of 66 2/3% of Senior Secured Debentures outstanding required pursuant to the Senior Secured Indenture in order to permit the implementation of the 2019 Interest Preferred Share Issuance and the 2019 Interest Prepayment, and (b) promptly thereafter make the 2019 Interest Prepayment.

b) Senior Secured Debentures

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

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

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



On January 16, 2018, as part of a refinancing transaction, the Company exchanged \$75,000 of the Senior Secured Debentures due 2026 for 75,000 Preferred Shares (refer to Note 7). This was accounted for as an extinguishment of a portion of the senior secured debentures, whereby the difference between the carrying amount of those exchanged debentures and the fair value of the preferred shares issued was recognized within contributed surplus due to the conclusion that the holders of the senior secured debentures were acting within their capacity as shareholders for purposes of the transaction. Transaction costs incurred on the restructuring (including the extinguishment of the convertible secured debentures as described in Note 6(c)) of approximately \$3,441 were also recorded within contributed surplus, consistent with the treatment of the gain of approximately \$10,713.

Balance at December 31, 2018	\$ 96,746
Accretion	57
Balance as of March 31, 2019	\$ 96,803

The senior secured debentures agreement contains cross default provisions in an event of default under the ABL facility. As the Company was not in compliance with the covenants contained in the ABL facility the entire amount of the senior secured debentures have been classified as current (see Note 6a).

On May 14, 2019, the company signed Third Amending and Waiver Agreement, in accordance with Section 16.2 of this agreement, the undersigned Lenders hereby agreed to waive the Financial Statements Defaults for the period ended March 31, 2019.

The Company shall (a) obtain, or cause to be obtained, on or prior to June [28], 2019, the consent of holders of 66 2/3% of Senior Secured Debentures outstanding required pursuant to the Senior Secured Indenture in order to permit the implementation of the 2019 Interest Preferred Share Issuance and the 2019 Interest Prepayment, and (b) promptly thereafter make the 2019 Interest Prepayment.

c) Convertible Secured Debentures

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

The Convertible Secured Debentures bear interest at an annual rate of 10.00% payable semi-annually in arrears on June 30 and December 31 in each year. The Company may elect to satisfy any interest payment obligation by issuing additional Convertible Secured Debentures which will be subject to the same terms and conditions as previously issued Convertible Secured Debentures. The maturity date of the Convertible Secured Debentures is March 23,



2026. The Company may redeem the Convertible Secured Debentures, in whole or in part from time to time, after March 23, 2021. The Convertible Secured Debentures are convertible into common shares of the Company at an initial conversion price of \$0.35 per common share (subject to adjustment in certain circumstances). The Convertible Secured Debentures are secured by liens over all of the property of the Company and its guarantor subsidiaries, other than property over which security has been granted in favour of the ABL Agent in respect of the ABL Facility. The security granted in connection with the Convertible Secured Debentures is subordinate to the security granted in connection with the Senior Secured Debentures. The Convertible Secured Debentures provide for events of default and covenants of the Company which are customary for transactions of this nature substantially similar to the events of default and covenants provided in respect of the Senior Secured Debentures.

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

On January 16, 2018, as part of a refinancing transaction, the Company exchanged convertible secured debentures with a principal amount of \$33,565 (of which \$25,743 was applied to the liability component) for 33,565 Preferred Shares (refer to Note 7). This was accounted for as an extinguishment of a portion of the convertible secured debentures, whereby the difference between the carrying amount of those exchanged debentures and the fair value of the preferred shares issued was recognized within contributed surplus due to the conclusion that the holders of the senior secured debentures were acting within their capacity as shareholders for purposes of the transaction. Transaction costs on the restructuring (including the extinguishment of the senior secured debentures as described in Note 6(b)) incurred of approximately \$3,441 were also recorded within contributed surplus, consistent with the treatment of the gain of approximately \$10,713.

As at December 31, 2018	\$	852
Accretion		6
As at March 31, 2019	\$	858

The convertible secured debentures agreement contains cross default provisions in an event of default under the ABL facility. As the Company was not in compliance with the covenants contained in the ABL facility the entire amount of the convertible secured debentures have been classified as current (see Note 6a).

On May 14, 2019, the company signed Third Amending and Waiver Agreement, in accordance with Section 16.2 of this agreement, the undersigned Lenders hereby agreed to waive the Financial Statements Defaults for the period ended March 31, 2019.

**7. Preferred shares**

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

The preferred shares provide for a 10% fixed cumulative preferential dividend that is only required to be paid in cash upon sole determination by ClearStream’s Board of Directors. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional preferred shares equal to \$1,000 per preferred share. Holders of the preferred shares have the right, at their option, to convert their preferred shares into common shares at a price of \$0.35 per common share, subject to adjustment in certain circumstances. The preferred shares are redeemable by the Company in cash at 110% of the purchase price for such shares, plus accrued but unpaid dividends once all of the outstanding senior secured debentures have been repaid and are subject to repayment in the event of certain change of control transactions. As a result of the dividends being payable in cash only at the sole discretion of ClearStream’s Board of Directors and the fact that any accrued but unpaid dividends are convertible into additional preferred shares at a fixed rate of \$1,000 per preferred share, the preferred shares are accounted for within shareholders’ equity.

Upon issuance, the preferred shares were measured at fair value of \$800 per preferred share, which was estimated using a discounted cash flow methodology based on key assumptions including: length of time the preferred shares are expected to be outstanding before conversion, redemption and/or an alternative restructuring event; and the discount rate applied. Subsequent to the refinancing transaction an additional 188 preferred shares issued as result of converted debentures. The total outstanding preferred shares as at March 31, 2019 were 127,753.

**8. Revenue**

The following are amounts for each significant category of revenue recognized during the years ended March 31, 2019 and 2018:

	Three months ended, March 31	
	2019	2018
Rendering of services	\$ 65,267	\$ 66,382
Sales of goods	18,686	18,412
<b>Total revenue</b>	<b>\$ 83,954</b>	<b>\$ 84,794</b>

As at March 31, 2019, there was \$7,145 (December 31, 2018 - \$5,345) of accounts receivable recognized in excess of progress billings in accordance with revenue recorded following the percentage of completion method.

**9. Selling, general & administrative expenses**

	Three months ended, March 31	
	2019	2018
Salaries & benefits	\$ 2,896	\$ 2,911
Occupancy costs	371	453
Professional fees	929	457
Travel & advertising	270	282
Repairs & maintenance	69	163
Insurance	538	287
Other	78	122
	<b>\$ 5,150</b>	<b>\$ 4,675</b>

**10. Share Based Compensation**

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

Stock Options

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

	Number of stock options	Weighted average exercise price
Balance as at January 1, 2018	3,160,000	0.28
Granted	-	-
Forfeited	(1,330,000)	0.28
Balance as at December 31, 2018	1,830,000	0.28
Forfeited	(100,000)	0.28
Balance as at March 31, 2019	1,730,000	0.28
Exercisable as at March 31, 2019	-	-

The options outstanding at March 31, 2019 have a weighted average remaining contractual life of 2.45 years (December 31, 2018 – 3.1 years). For the three months ended March 31, 2019, the Company recognized \$4 of share based compensation expense relating to stock options (three months ended March 31, 2018 – expense of \$62).

Restricted Share Units and Performance Share Units

RSUs vest based on service requirements over either two-year or three-year periods and are settled in cash by multiplying the numbers of units with the Company’s share price based on the volume weighted-average trading price for the five trading days preceding the vesting date of the award. The fair value of the RSUs is based on the market value of the Company’s common shares at the reporting date. As at March 31, 2019 the intrinsic value of the RSUs outstanding was \$54 (December 31, 2018 - \$31).

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

The following table summarizes the units outstanding:

	RSUs	PSUs
Balance as at January 1, 2018	4,350,000	1,740,000
Forfeited in 2018	(730,000)	(1,390,000)
Balance as at December 31, 2018	3,620,000	350,000
Exercised	(2,400,000)	-
Balance as at March 31, 2019	1,220,000	350,000
Exercisable as at March 31, 2019	-	-

ClearStream’s five day weighted average closing share price at March 31, 2019 was \$0.06 (December 31, 2018 - \$0.01). The weighted average remaining contractual life of the outstanding RSUs as at March 31, 2019 was 0.4 years (December 31, 2018 – 0.7 years). The weighted average remaining contractual life of the outstanding PSUs as at March 31, 2019, was 4.8 years (December 31, 2018 – 0.5 years). For the three months ended March 31, 2019, an expense of \$54 of share based compensation was recognized relating to RSUs (three months ended March 31, 2018 – recovery of \$20) and an expense of \$6 of share based compensation was recognized relating to PSUs (three months ended March 31, 2018 – expense of \$37).

**11. Financial instruments and risk management**

Financial instruments consist of cash, restricted cash, accounts receivable, accounts payable, ABL Facility, Senior Secured Debentures and Convertible Secured Debentures.

- a) Fair values of financial assets and liabilities

The fair value of the ABL Facility approximates its carrying amount, excluding the effect of deferred financing fees, due to its nature as a revolving facility subject to variable interest rates.

b) Risk management

ClearStream’s Board of Directors has overall responsibility for the establishment and oversight of ClearStream’s risk management framework. ClearStream has exposure to credit risk, customer concentration risk, liquidity risk, and interest rate risk.

i) Credit risk

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

	March 31, 2019	December 31, 2018
Cash	2,234	10,838
Restricted cash	980	980
Accounts receivable	66,710	59,715
	69,924	71,533

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

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

Of the total balance of accounts receivable at March 31, 2019, \$44,224 (December 31, 2018 - \$45,741) related to trade receivables and \$21,702 (December 31, 2018 - \$13,974) related to accrued revenue (i.e. for work performed but not yet invoiced).

Trade receivables are non-interest bearing and generally due on 30-90 day terms. As at March 31, 2019, approximately \$1,629 of ClearStream’s trade receivables had been outstanding longer than 90 days (December 31, 2018 - \$1,809). Subsequent to March 31, 2019, \$826 of the \$1,629 over 90 days was collected. Management has fully evaluated the outstanding receivables as at March 31, 2019 and has determined that the lifetime expected credit losses of the trade receivables was immaterial.

ii) Liquidity risk

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

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

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

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

## 12. Segmented information

ClearStream has three reportable operating segments, each of which has separate operational management and management reporting information. All or substantially all of ClearStream's operations, assets and employees are located in Canada.

The Maintenance and Construction division, which includes the union and non-union CGUs is a fully integrated provider of maintenance and construction services to the energy industry. This division provides maintenance services, welding, fabrication, machining, construction, turnaround services and a resource/labour supply to companies in the conventional oil and gas and oilsands markets.

The Wear and Fabrication division, which includes the Wear, Fabrication and Environmental CGUs specializes in the supply and fabrication of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services. Environmental Services group provides regulatory and environmental advisory services focused on servicing our clients across various end markets such as Oil & Gas, Power, Government, Mining and Forestry.

The Corporate division is a standard head office function, which deals with strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization.

The Eliminations column includes adjustments required to account for joint ventures as equity investments, and eliminations of interdivisional transactions. ClearStream accounts for intersegment sales based on transaction price.

Three months ended March 31, 2019	Maintenance and		Corporate	Eliminations	Total
	Construction Services	Wear, Fabrication			
Revenues	\$ 67,390	\$ 17,029	-	\$ (465)	\$ 83,954
Cost of revenues	(63,194)	(12,507)	-	465	(75,236)
Gross profit	4,196	4,522	-	-	8,718
Selling, general and administrative expenses	(193)	(381)	(4,576)	-	(5,150)
Stock based compensation expense	-	-	(64)	-	(64)
Amortization of intangible assets	(269)	(63)	-	-	(332)
Depreciation	(1,350)	(830)	(884)	-	(3,064)
Income from equity investment	25	-	-	-	25
Interest expense	(332)	(154)	(3,860)	-	(4,346)
Restructuring costs	(8)	-	(53)	-	(61)
Gain on sale of property, plant and equipment	52	-	-	-	52
Income (loss) before taxes	2,121	3,094	(9,437)	-	(4,222)
Income (loss) from continuing operations	2,121	3,094	(9,437)	-	(4,222)

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

### 13. Subsequent event

#### a) 2019 potential Acquisitions

On April 30, 2019, the Company announced that Holdings had entered into the AECOM Transaction, pursuant to which it will acquire certain assets of the production services division currently operated by AECOM Production Services Ltd. and certain of its affiliates for a purchase price of \$18.2 million for the assets and approximately \$20 million for the working capital, subject to certain closing adjustments. Concurrent with the AECOM Transaction,



Holdings also entered into the UWO Transaction, pursuant to which it will acquire all of the issued and outstanding shares of Universal Weld Overlays Inc. for a purchase price of approximately \$12 million to be paid on closing, subject to deferred consideration and earn-out adjustments for an aggregate purchase price of up to \$15.3 million. The Transactions are expected to close in the second quarter of 2019, subject to the receipt of certain regulatory approvals, applicable approvals under the Company's existing debt arrangements and the satisfaction of other customary closing conditions in respect of each Transaction. Subject to obtaining certain approvals under the Company's existing debt arrangements, the Company expects to finance the Transactions through a combination of equity financings of series 2 preferred shares issued on a prospectus exempt basis to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and with respect to the AECOM Transaction, a new debt facility from the Business Development Bank of Canada. The Transactions, while entered into concurrently, are not cross-conditional.

b) ABL facility renewal

On May 14, 2019, the second amended and restated credit agreement dated November 2, 2019 between Holdings, as borrower, and (among others) Bank of Montreal, as administrative agent, was further amended to (among other things) extend the maturity date to March 23, 2020 and provide for certain borrowing base and financial covenant amendments.



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