CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF

CLEARSTREAM ENERGY SERVICES INC.

(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(UNAUDITED)

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)
Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(unaudited)

		September 30, 2016		December 31, 2015
Assets				
Current Assets:				
Cash	$	6,983	$	24,409
Cash and short-term investments held in trust		980		4,380
Accounts receivable (note 5)		51,515		76,089
Inventories (note 5)		3,628		3,114
Prepaid expenses		2,503		2,357
Other current assets (note 2)		1,114		114
Assets held for sale (note 2)		-		54,310
Total current assets	$	66,723	$	164,773
Property, plant and equipment (note 3)		25,357		30,873
Long-term investments		632		8,000
Goodwill (note 4)		22,288		30,988
Intangible assets		16,446		18,904
Other assets (notes 2 and 5)		6,381		-
Total assets	$	137,827	$	253,538
Liabilities and Shareholders' Deficit				
Current liabilities:				
Accounts payable and accrued liabilities		23,920		32,132
Deferred revenue		628		-
Current portion of obligations under finance leases		4,391		4,685
Senior credit facility (note 5)		-		58,482
Secured debentures (note 5)		-		174,311
Liabilities related to assets held for sale (note 2)		-		42,637
Total current liabilities	$	28,939	$	312,247
Obligations under finance leases		3,699		6,347
Senior secured debentures (note 5)		171,563		-
Convertible secured debentures (note 5)		24,282		-
Shareholders' deficit		(90,656)		(65,056)
Total liabilities & shareholders' deficit	$	137,827	$	253,538

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

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

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

	Three months ended September 30, 2016	Three months ended September 30, 2015 Restated[1]	Nine months ended September 30, 2016	Nine months ended September 30, 2015 Restated[1]
Revenues	$ 67,773	$ 116,662	$ 197,748	$ 327,166
Cost of revenues	(60,949)	(98,255)	(180,143)	(282,099)
Gross profit	6,824	18,407	17,605	45,067
Selling, general and administrative expenses (note 6)	(3,356)	(6,037)	(12,312)	(15,834)
Amortization of intangible assets	(716)	(1,412)	(2,518)	(4,229)
Depreciation	(1,533)	(1,993)	(4,667)	(6,011)
Income (loss) from long-term investments	62	(478)	(93)	229
Interest expense, net	(5,239)	(6,032)	(16,184)	(17,778)
Gain on sale from assets held for sale (note 2)	212	-	1,326	-
Restructuring costs	(344)	(282)	(344)	(2,889)
Other income	623	-	623	-
Gain (loss) on sale of property, plant and equipment (note 3)	(1,155)	149	(822)	347
Write-down of goodwill (note 4)	-	-	(8,700)	-
(Loss) income from continuing operations	$ (4,622)	$ 2,322	$ (26,086)	$ (1,098)
Income tax expense - current	(2)	(77)	(21)	(96)
Income tax recovery - deferred	-	1,430	-	4,800
(Loss) income from continuing operations	$ (4,624)	$ 3,675	$ (26,107)	$ 3,606
Loss from discontinued operations (net of income taxes) (note 2)	$ (715)	$ (10,025)	$ (6,765)	$ (20,645)
Net loss and comprehensive loss	$ (5,339)	$ (6,350)	$ (32,872)	$ (17,039)

(Loss) income per share (note 7)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Basic and diluted:				
Continuing operations	$ (0.04)	$ 0.03	$ (0.24)	$ 0.03
Net loss	$ (0.05)	$ (0.06)	$ (0.30)	$ (0.15)

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

[1]Certain amounts shown here do not correspond to the interim consolidated financial statements previously published for the three and nine months ended September 30, 2015. Please refer to note 11 for more details.

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)
Consolidated Interim Statements of Shareholders' Equity (Deficit)
(In thousands of Canadian dollars, except share amounts)
(unaudited)

	Number of shares		Shareholders' Capital		Deficit		Contributed Surplus		Total Shareholders' Equity (Deficit)
Balance - December 31, 2015	109,941,241	$	461,758	$	(529,241)	$	2,427	$	(65,056)
Net loss for the period	-		-		(32,872)		-		(32,872)
Equity component of the convertible secured debentures (note 5)	-		7,272		-		-		7,272
Balance - September 30, 2016	109,941,241	$	469,030	$	(562,113)	$	2,427	$	(90,656)

	Number of shares		Shareholders' Capital		Deficit		Contributed Surplus		Total Shareholders' Equity (Deficit)
Balance - December 31, 2014	109,941,241	$	461,758	$	(404,354)	$	2,427	$	59,831
Net income for the period	-		-		(17,039)		-		(17,039)
Balance - September 30, 2015	109,941,241	$	461,758	$	(421,393)	$	2,427	$	42,792

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

CLEARSTREAM ENERGY SERVICES INC.
(FORMERLY TUCKAMORE CAPITAL MANAGEMENT INC.)

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

		Nine months ended September 30, 2016		Nine months ended September 30, 2015 Restated[1]
Cash provided by (used in):				
Operating activities:				
Net loss for the period	$	(32,872)	$	(17,039)
Loss from discontinued operations (net of income tax) (note 2)		6,765		20,645
Items not affecting cash:				
Amortization of intangible assets		2,518		4,229
Depreciation		4,667		6,011
Deferred income tax recovery		-		(4,800)
Loss from equity investments, net of cash received		(93)		(119)
Non-cash interest expense		2,332		5,568
Amortization of deferred financing costs		288		344
Impairment of assets (note 4)		8,700		-
Gain on sale of assets held for sale (note 2)		(1,326)		-
(Gain) loss on sale of property, plant and equipment (note 3)		822		(347)
Changes in non-cash working capital		10,303		(19,405)
Advances to discontinued operations		(4,363)		-
Cash provided by (used in) discontinued operations (note 2)		-		180
Total cash used in operating activities	$	(2,259)	$	(4,733)
Investing activities:				
Purchase of property, plant and equipment		(1,168)		(2,720)
Net proceeds on disposal of property, plant and equipment		1,560		1,343
Purchase of intangibles		(65)		-
Proceeds on the disposition of business (note 2)		14,800		5,050
Cash used in discontinued operations (note 2)		-		(214)
Total cash provided by investing activities	$	15,127	$	3,459
Financing activities:				
Decrease in cash held in trust		3,400		270
Proceeds from the issuance of the senior secured debentures (note 5)		176,228		-
Proceeds from the issuance of the convertible secured debentures (note 5)		35,000		-
Repayment of the senior credit facility (note 5)		(58,735)		(8,934)
Repayment of the 8.00% secured debentures (note 5)		(176,228)		-
Transaction costs on debt (note 5)		(10,216)		-
Repayment of obligations under finance leases		(4,143)		(4,208)
Changes in non-cash working capital		4,400		-
Cash used in discontinued operations (note 2)		-		(823)
Total cash used in financing activities	$	(30,294)	$	(13,695)
(Decrease) increase in cash		(17,426)		(14,969)
Cash, beginning of the period - continuing operations		24,409		23,669
Cash, beginning of the period - discontinued operations		-		(1,088)
Cash, end of period	$	6,983	$	7,612
Cash, end of period - continuing operations		6,984		9,557
Cash, end of period - discontinued operations		-		(1,945)
Supplemental cash flow information:				
Interest paid		9,749		8,516
Supplemental disclosure of non-cash financing and investing activities:				
Acquisition of property, plant and equipment through finance leases		426		764

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

[1]Certain amounts shown here do not correspond to the interim consolidated financial statements previously published for the quarter ended September 30, 2015. Please refer to note 11 for more details.

ClearStream Energy Services Inc. ("ClearStream" or the "Company"), formerly Tuckamore Capital Management Inc., is a corporation formed pursuant to the Business Corporations Act (Ontario). The registered office is located in Toronto, Ontario. ClearStream is a fully-integrated provider of midstream production services, which includes maintenance and turnarounds, facilities construction, welding and fabrication, and transportation, with locations across Western Canada. Prior to the recent net asset sales (note 2), ClearStream's primary function was to invest in securities of private businesses, either through limited partnerships or corporations. These condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the directors of ClearStream on November 8, 2016.

1. Significant accounting policies

a) Basis of Presentation

These condensed consolidated interim 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. They should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2015.

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

b) Going Concern Uncertainty

The Company's results of operations continue to be affected by the combination of a decline in commodity prices, general economic conditions in Alberta and the devastating effect of the Fort McMurray forest fires in 2016. While the Company has successfully obtained amendments to the terms of its ABL Facility which has allowed it to remain in compliance with its covenants, the Company's current forecasts show that it may breach its fixed charge coverage ratio covenant in the next twelve months.

ClearStream is carefully monitoring its results and continues to take actions to mitigate the risk of a covenant breach, including asset sales and further reductions to operating and capital expenditures. Management has made its lenders aware of this issue and will continue to work with them to seek further amendments to the terms of the facility, if necessary. The Company believes that it has a good relationship with its lenders and that, in the event that it concludes that a financial covenant would not be met, it could seek and receive future amendments to its covenants. While it cannot be guaranteed that such amendment will be required or requested, similarly there can be no guarantee that such amendment would be received from the Company's lenders or that the conditions of such amendment could be fulfilled by the Company. In the event that an amendment was not received, the cross-default provisions in the senior secured debenture and convertible secured debenture would be triggered, requiring payment on demand. The possibility that a financial covenant may not be met results in a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

(In thousands of Canadian dollars)

2. Discontinued Operations and Assets Held for Sale

On March 23, 2016, ClearStream sold a majority of the net assets of Quantum Murray LP and Titan Supply LP for cash proceeds of $4,000 and assumption of debt of approximately $3,000, with an additional $4,800 which was received in April 2016. In addition to these amounts, an earn-out of $6,200 will be paid if certain pre-determined cash flow targets are achieved in future years. The present value of this earn-out is approximately $4,590, of which $3,480 is recorded in Other assets and $1,114 in Other current assets on the balance sheet as at September 30, 2016. The sale of Titan's assets resulted in an accounting gain of approximately $674, recorded in gain from assets held for sale. The sale of Quantum Murray's assets resulted in an accounting loss of approximately $4,205, recorded in income/loss from discontinued operations.

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. In addition to these amounts, an earn-out of $2,000 will be paid if certain contracts are renewed in future years. The present value of this earn-out, which is approximately $1,452, is recorded in Other assets on the balance sheet as at September 30, 2016. The sale of Gusgo resulted in an accounting gain of approximately $652, recorded in gain from assets held for sale.

As a result of the transactions identified above, ClearStream reassessed its organizational structure and determined that previous operating segments were no longer relevant. Any assets held for sale in continuing operations for the first half of 2016 and for the comparative period have been recorded in the Corporate segment in the Segmented Information note (Note 10).

The following table shows the revenue and net loss from discontinued operations for the three months ended September 30, 2016 and September 30, 2015:

	Industrial Services		**Marketing**		**Total**	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue	-	37,752	-	2,168	-	39,920
Expenses	-	(47,091)	-	(2,763)	-	(49,854)
Loss before taxes	-	(9,338)	-	(596)	-	(9,934)
Loss on sale of discontinued operations	(715)	-	-	61	(715)	61
Loss from equity investments	-	-	-	(152)	-	(152)
Net loss from discontinued operations	$ (715)	$ (9,338)	$ -	$ (686)	$ (715)	$ (10,025)
Net loss per share - basic and diluted	$ (0.01)	$ (0.08)	$ -	$ (0.01)	$ (0.01)	$ (0.09)

(In thousands of Canadian dollars)

The following table shows the revenue and net loss from discontinued operations for the nine months ended September 30, 2016 and September 30, 2015:

	Industrial Services		**Marketing**		**Total**	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue	29,179	106,921	-	8,842	29,179	115,763
Expenses	(30,700)	(125,587)	-	(10,795)	(30,700)	(136,382)
Loss before taxes	(1,521)	(18,666)	-	(1,953)	(1,521)	(20,619)
Remeasurement of impairment loss previously recognized on the remeasurement of the Waste business net assets to FVLCS	-	2,645	-	-	-	2,645
Loss on sale of discontinued operations	(4,455)	(2,510)	(789)	60	(5,244)	(2,450)
Loss from equity investments	-	-	-	(221)	-	(221)
Net loss from discontinued operations	$ (5,976)	$ (18,531)	$ (789)	$ (2,114)	$ (6,765)	$ (20,645)
Net loss per share - basic and diluted	$ (0.05)	$ (0.17)	$ (0.01)	$ (0.02)	$ (0.06)	$ (0.19)

The major classes of assets and liabilities of Quantum Murray, classified as discontinued operations, for the year ended December 31, 2015 are as follows:

For the period ending,	December 31, 2015
Assets	
Accounts receivable	34,448
Inventory	13,777
Prepaids & Other Assets	2,302
Long-term investments	3,783
	54,310
Liabilities	
Accounts payable & accrued liabilities	32,119
Deferred Revenue	4,645
Capital lease obligation	2,872
Other liabilities	3,001
	42,637
Net assets directly associated with the disposal group	11,673

The net cash flows incurred by discontinued operations, as follows:

For the period ending,	September 30, 2015
Operating	180
Investing	(214)
Financing	(823)
Net cash outflow	(857)

(In thousands of Canadian dollars)

3. Property, plant and equipment

For the nine months ended September 30, 2016, the Company sold automotive and heavy equipment and land and buildings for proceeds of $1,560, resulting in a loss of $822.

Cost as at January 1, 2016	$	74,650
Additions		1,594
Disposals		(3,961)
Cost as at September 30, 2016	$	72,283
Accumulated depreciation as at January 1, 2016	$	(43,777)
Depreciation		(4,667)
Disposals		1,519
Accumulated depreciation as at September 30, 2016	$	(46,926)
Net book value, January 1, 2016	$	30,873
Net book value, September 30, 2016	$	25,357

As at September 30, 2016, property, plant and equipment of consolidated entities and joint ventures with a carrying amount of $16,678 and $nil, respectively are subject to a general security agreement under the Senior Secured Debentures and the Convertible Secured Debentures (December 31, 2015 - $18,866 and $1,119).

4. Write-down of Goodwill

The continued decrease in oil prices was identified as an indicator of impairment during the first two quarters of 2016. As such, the Company performed impairment tests for the potential impairment of goodwill, intangibles and long-lived assets at March 31, 2016 and June 30, 2016. These tests were performed in accordance with the policy described in Note 1, *Significant Accounting Policies* of the audited consolidated financial statements for the year ended December 31, 2015.

ClearStream has five CGUs, two of which include intangible assets with an indefinite life. The carrying value of goodwill and indefinite life intangible assets by significant CGUs are identified separately in the table below. As a result of the realignment of the Company’s reportable segments (refer to note 10 – segmented information), ClearStream reallocated goodwill using the relative fair value approach for the revised reportable segments.

	Indefinite life intangibles	Goodwill
ClearStream		
Wear	1,574	-
Transportation	-	-
Fabrication	-	-
Wear, Fabrication and Transportation	1,574	9,539
Oilsands	1,178	-
Conventional	-	-
Maintenance and Construction Services	1,178	12,749
Total ClearStream	2,752	22,288

The valuation techniques, significant assumptions and sensitivities applied in the goodwill and indefinite life intangible asset impairment test are described below:

Valuation technique

The recoverable value is based on the higher of VIU using the discounted cash flow ("DCF") approach, or the FVLCS using the income, market or cost approach. The income approach is predicated upon the value of the future cash flows that a business will generate. The DCF method was used for the VIU approach, which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about earnings before taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates.

Projected EBITDA, Capital Expenditures and Change in Working Capital

Projected EBITDA, net of capital expenditures and adjustments for change in working capital are used by the Company to determine anticipated future cash flows. Projected EBITDA and capital expenditures are based on the Company's internal budget for the following year and take into consideration past experience, economic trends and market/industry trends at the time at which the budget is developed. The budget is developed during the fourth quarter and approved by senior management. Management may reforecast the budget in subsequent quarters if the business is experiencing a significant shift from the original budget. The anticipated future cash flows are updated to reflect any subsequent changes in demand for products and services.

Growth rate and terminal value

The Company used projected EBITDA and capital expenditures for five years and applied a perpetual long-term growth rate of 2% thereafter. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates. In arriving at its forecasts, ClearStream considered past experience, economic trends such as Gross Domestic Product growth and inflation as well as industry and market trends.

Discount rate

ClearStream assumed a pre-tax discount rate of 20%-23% in order to calculate the present value of projected future cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

The most significant change in assumptions from the goodwill testing performed for the year-ended December 31, 2015 and the interim periods tested during 2016 was a decrease to the Projected EBITDA and Capital Expenditure figures to adjust for the increased impact of the decline in oil prices on ClearStream's business. More specifically, customers increased their deferral of capital spend and further delayed non-critical maintenance. The decrease in Projected EBITDA and Capital Expenditures resulted in a $8,700 impairment of goodwill at ClearStream in the first quarter of 2016 and no impairment in the second quarter of 2016. After this impairment, there remains $22,288 in goodwill at ClearStream. The Company concluded that no indicators of impairment existed for the third quarter of 2016.

All impairment losses are non-cash in nature and do not affect the Company's liquidity, cash flows from operating activities, or debt covenants and do not have an impact on the future operations of the Company. Management has considered reasonably possible changes in assumptions for the discounted cash flows. In all of these scenarios, with the exception of those discussed above, the recoverable amount was greater than the carrying value, providing evidence that there is no further impairment.

5. Senior credit facility and debentures

a) Senior credit facility

Advances outstanding under the Senior Credit Agreement as at December 31, 2015 totaled $58,735. At that time, the entire balance of the Senior Credit Agreement was a revolving facility and was fully drawn at December 31, 2015.

On March 7, 2016, ClearStream repaid a total of $4,000 of indebtedness under the Senior Credit Agreement using the aggregate net proceeds received on the closing date for the sale of Gusgo. In addition to this, on March 16, 2016, ClearStream made a voluntary permanent repayment on the Senior Credit Facility of $2,250.

On March 23, 2016, the Company completely and permanently repaid all indebtedness outstanding under the Senior Credit Agreement through a combination of proceeds from asset sales, proceeds from the issuance of convertible debentures and cash on hand.

b) ABL Facility

On March 23, 2016 ClearStream Energy Holdings LP entered into an ABL Facility agreement with Bank of Montreal. The ABL Facility is a revolving facility providing for maximum borrowings of up to $60,000 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 the accounts receivable and inventory levels of ClearStream. As at September 30, 2016, the available borrowing base was $17,109. The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The ABL Facility contains and provides for certain covenants, such as the maintenance of fixed charge coverage ratios, financial reporting and events of default as are customary in transactions of this nature. The interest rate on the ABL Facility is prime plus 2.5%, increasing to prime plus 4% if the ABL Facility is more than 50% drawn. The Company incurred $1,687 in deferred financing fees associated with the ABL Facility. These costs are recorded in Other assets on the balance sheet and will be amortized over the term of the facility.

On August 24, 2016 ClearStream reached an agreement with the lenders under the ABL Facility to amend a financial covenant. The amendment was required in response to the short-term impact of the Fort McMurray wildfires on ClearStream's financial results. The amended covenant is the Fixed Charge Coverage Ratio ("FCCR") and is in effect from September 1, 2016 to August 31, 2017. As at September 30, 2016, ClearStream was in compliance with its financial covenants and there were no amounts drawn on the ABL facility.

c) 8.00% Secured Debentures

The Company issued debentures designated as "8.00% Secured Debentures due 2016" (the "8.00% Secured Debentures") in an aggregate principal amount of $176,228 pursuant to a secured trust indenture dated as of March 23, 2011 (as supplemented). The 8.00% Secured Debentures were listed on the Toronto Stock Exchange ("TSX") on the date of closing of March 23, 2011.

The maturity date of the 8.00% Secured Debentures was March 23, 2016. Subsequent to the financial year ended December 31, 2015, the Company called for redemption on March 21, 2016 of all outstanding 8.00% Secured Debentures which were to be redeemed together with the completion of the refinancing transactions and asset sales on the same date, however the completion of these transactions and the repayment in full of all outstanding principal and accrued interest on the 8.00% Secured Debentures was completed on March 23, 2016.

d) 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., in its capacity as portfolio manager for and on behalf of certain accounts that it manages ("Canso"), on a private placement basis. The net proceeds of this issuance were used to completely repay the principal amount outstanding under the 8.00% Secured Debentures which were repaid together with accrued interest, on the same date. Canso is also a shareholder of the Company at September 30, 2016.

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 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). The Company incurred $4,821 in deferred financing fees associated with the Senior Secured Debentures. The principal balance is recorded net of these costs and will be accreted using the effective interest method over the term of Senior Secured Debentures.

e) Convertible Secured Debentures

On March 23, 2016 the Company issued an aggregate of $25,000 principal amount of Convertible Secured Debentures to Canso on a private placement basis and an additional $10,000 principal amount of Convertible Secured Debentures pursuant to the Rights Offering (described below). The net proceeds of this issuance, together with the proceeds of the Asset Sales, were used to completely repay the Company's indebtedness under the Senior Credit Agreement.

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. The principal balance is recorded net of these costs and will be accreted over the term of Convertible Secured Debentures.

The Company uses the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. Under this method, the value of the equity component of $7,272 was determined by deducting the fair value of the liability component from the principal amount of the Convertible Secured Debenture. The fair value of the liability component of

(In thousands of Canadian dollars)

$24,024 was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum. Debenture issue costs of $861 were allocated to the equity component.

f) Rights Offering

Pursuant to the Rights Offering, the Company offered to its shareholders of record as of February 18, 2016 transferable rights to purchase up to $10,000 aggregate principal amount of Convertible Secured Debentures for the same amount in gross proceeds. Each such shareholder was entitled to one right for each common share held. Every 1,099.41241 rights entitled an eligible rights holder to purchase $100 aggregate principal amount of Secured Convertible Debentures at a subscription price of $100. The rights expired on March 17, 2016 and the Rights Offering, which was over-subscribed, closed on March 23, 2016, resulting in the issuance of:

- $1,969,000 aggregate principal amount of Convertible Secured Debentures upon the exercise of the basic subscription privilege; and
- $8,030,400 aggregate principal amount of Convertible Secured Debentures issued to over-subscribing purchasers on a pro-rata basis, pursuant to the additional subscription privilege.

6. Selling, General & Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015 Restated (note 11)	2016	2015 Restated (note 11)
Salaries & Benefits	$ 2,067	$ 2,933	$ 6,639	$ 6,894
Occupancy Costs	370	442	973	1,235
Travel	166	369	640	1,100
Repairs & Maintenance	163	269	463	813
Insurance	324	370	1,032	1,049
Other	265	1,654	2,565	4,742
	$ 3,356	$ 6,037	$ 12,312	$ 15,834

7. Loss per share

The shares issuable under the stock options and convertible secured debentures are the only potentially dilutive units. All stock options and convertible secured debentures were anti-dilutive as the conversion price was below the market price at the end of all periods presented.

The weighted number of shares outstanding for all periods presented is 109,941,241.

8. 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.

In March 2015, the Company was advised by Brompton Corp. ("Brompton") that Brompton has received notices of reassessment from the Canada Revenue Agency (the "CRA") in which the CRA has denied the deduction to Brompton of certain non-capital losses and other tax attributes in computing Brompton's income for the 2010 to 2014 taxation years. Brompton is seeking indemnification in the amount of $4,099 (which includes interest) from Tuckamore Holdings LP, representing approximately 40% of its taxes, losses or costs, pursuant to certain agreements entered into by Tuckamore Holdings LP prior to the sale of its interest in Brompton.

ClearStream previously announced, in September 2014, that it had been notified by Brompton that in the event that Brompton is subject to taxes assessed by the CRA or incurs losses or costs associated with the CRA's review, it would be seeking indemnification for approximately 40% of these taxes, losses or costs pursuant to agreements entered into by Tuckamore Holdings LP. Tuckamore Holdings LP, a wholly-owned subsidiary of ClearStream, previously held approximately 40% of the outstanding equity of Brompton. ClearStream Holdings LP sold its Class A shares in Brompton in September 2011.

On June 12, 2015, Brompton served ClearStream and certain of its affiliates with a Statement of Claim seeking, among other things, indemnification in the amount of 40% of the CRA's notices of reassessment for the 2010-2012 taxation years. On July 13, 2015, ClearStream and its affiliates served their Statement of Defence denying Brompton's allegations and relying on, among other things, a corresponding warranty and indemnity provided by Brompton to ClearStream. Brompton brought a motion for summary judgment, which was heard in August and September, 2016. The court's decision is currently under reserve. The Company has not provided for any amount with respect to this matter in its consolidated interim financial statements for the period ending September 30, 2016.

9. Related party disclosures

Income from long-term investments includes $nil and $191 of rent expense paid to a company owned by the minority shareholder of Gusgo for the three and nine months ended September 30, 2016 (2015 - $209 and $627). Interest charged to joint venture operating partners on advances was $nil and $59 for the three and nine month periods ended September 30, 2016 (September 30, 2015 - $170 and $509). Two operating leases for property, with quarterly rents of $78 and $75 are with a landlord in which an executive of ClearStream holds an indirect minority interest (2015 - $78 and $75). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties.

10. Segmented information

During the quarter ended March 31, 2016, ClearStream completed the sale of its interest in Gusgo, as well as substantially all of the net assets of Quantum Murray and Titan. Given the significant change in organizational structure, the Company considered and concluded that there was a change in its reportable segments. The reportable segments discussed below, represent the reportable segments that the chief operating decision makers consider when reviewing the performance of ClearStream and deciding where to allocate resources. The comparative 2015 results were restated for these segments (note 11).

(In thousands of Canadian dollars)

ClearStream has three reportable operating segments, each of which has separate operational management and management reporting information. All or substantially all of ClearStream's operations, assets and employees are located in Canada. The Maintenance and Construction division is a fully integrated provider of maintenance and construction services, primarily 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, as well as other industries. The Wear, Fabrication and Transportation division specializes in the supply, fabrication and transportation of overlay pipe spools, pipe bends, wear plate, welding services, custom fabrication, pipe management and storage services. The Corporate division provides typical head office functions including strategic planning, corporate communications, taxes, legal, marketing, finance, financing (including interest expense), human resources and information technology for the entire organization. The eliminations column represents adjustments required to reconcile ClearStream's segmented reporting, to the income (loss) from continuing operations. This column represents interdivisional eliminations and adjustments required to account for joint ventures under IFRS 11.

Three months ended September 30, 2016	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	57,371	11,062	-	(660)	67,773
Cost of revenues	(51,909)	(9,622)	-	582	(60,949)
Gross profit	5,462	1,440	-	(78)	6,824
Selling, general and administrative	(218)	(145)	(3,004)	11	(3,356)
Amortization of intangible assets	(14)	(72)	(630)	-	(716)
Depreciation	(733)	(729)	(71)	-	(1,533)
Income from long-term investments	-	-	-	62	62
Interest expense	(86)	(69)	(5,084)	-	(5,239)
Gain on sale from assets held for sale	-	-	212	-	212
Restructuring costs	-	-	(344)	-	(344)
Other income	-	-	623	-	623
Gain (loss) on sale of property, plant and equipment	187	-	(1,343)	1	(1,155)
Income (loss) before income taxes	4,598	425	(9,641)	(4)	(4,622)
Income tax (expense) recovery - current	(3)	-	(2)	3	(2)
Income (loss) from continuing operations	4,595	425	(9,643)	(1)	(4,624)
Add back:					
Interest expense	86	69	5,084	-	5,239
Amortization	14	72	630	-	716
Depreciation	733	729	71	-	1,533
Income tax (recovery) expense - current	3	-	2	(3)	2
EBITDA from continuing operations	5,431	1,295	(3,856)	(4)	2,866

(In thousands of Canadian dollars)

Nine months ended September 30, 2016	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	163,405	37,182	-	(2,839)	197,748
Cost of revenues	(150,761)	(31,913)	-	2,531	(180,143)
Gross profit	12,644	5,269	-	(308)	17,605
Selling, general and administrative	(1,156)	(462)	(10,753)	57	(12,312)
Amortization of intangible assets	(138)	(216)	(2,164)	-	(2,518)
Depreciation	(2,143)	(2,164)	(360)	-	(4,667)
Income from long-term investments	-	-	-	(93)	(93)
Interest expense	(274)	(260)	(15,651)	1	(16,184)
Gain from assets held for sale	-	-	1,326	-	1,326
Write-down of goodwill	-	-	(8,700)	-	(8,700)
Restructuring costs	-	-	(344)	-	(344)
Other income	-	-	623	-	623
Gain (loss) on sale of property, plant and equipment	459	62	(1,343)	-	(822)
Income (loss) before income taxes	9,392	2,229	(37,366)	(343)	(26,086)
Income tax expense - current	(49)	-	(21)	49	(21)
Income (loss) from continuing operations	9,343	2,229	(37,387)	(293)	(26,107)
Add back:					-
Interest expense	274	260	15,651	(1)	16,184
Amortization	138	216	2,164	-	2,518
Depreciation	2,143	2,164	360	-	4,667
Income tax expense - current	49	-	21	(49)	21
EBITDA from continuing operations	11,947	4,869	(19,191)	(343)	(2,717)

Three months ended September 30, 2015	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	88,089	29,920	-	(1,347)	116,662
Cost of revenues	(76,773)	(22,721)	-	1,239	(98,255)
Gross profit	11,316	7,199	-	(108)	18,407
Selling, general and administrative	(731)	(259)	(5,067)	20	(6,037)
Amortization of intangible assets	(46)	(87)	(1,279)	-	(1,412)
Depreciation	(1,016)	(857)	(119)	(1)	(1,993)
Income from equity investment	-	-	-	(478)	(478)
Interest expense	(109)	(115)	(5,637)	(171)	(6,032)
Restructuring costs	-	-	(282)	-	(282)
Gain on sale of property, plant and equipment	149	-	-	-	149
Income (loss) before income taxes	$ 9,563	$ 5,881	$ (12,384)	$ (738)	$ 2,322
Income tax expense - current	(13)	-	(77)	13	(77)
Income tax recovery (expense) - deferred	-	-	1,409	21	1,430
Income (loss) from continuing operations	$ 9,550	$ 5,881	$ (11,052)	$ (704)	$ 3,675
Add back:					
Interest expense	109	115	5,637	171	6,032
Amortization	46	87	1,279	-	1,412
Depreciation	1,016	857	119	1	1,993
Income tax expense - current	13	-	77	(13)	77
Income tax (recovery) expense - deferred	-	-	(1,409)	(21)	(1,430)
EBITDA from continuing operations	$ 10,734	$ 6,940	$ (5,349)	$ (566)	$ 11,759

(In thousands of Canadian dollars)

Nine months ended September 30, 2015	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	$ 254,282	$ 77,421	$ -	$ (4,537)	$ 327,166
Cost of revenues	(225,936)	(60,225)	-	4,062	(282,099)
Gross profit	28,346	17,196	-	(475)	45,067
Selling, general and administrative	(1,891)	(768)	(13,236)	61	(15,834)
Amortization of intangible assets	(139)	(262)	(3,829)	1	(4,229)
Depreciation	(3,050)	(2,506)	(428)	(27)	(6,011)
Income from equity investment	-	-	-	229	229
Interest expense	(364)	(333)	(16,572)	(509)	(17,778)
Restructuring costs	-	-	(2,889)	-	(2,889)
Gain on sale of property, plant and equipment	293	54	-	-	347
Income (loss) before income taxes	$ 23,195	$ 13,381	$ (36,954)	$ (720)	$ (1,098)
Income tax expense - current	(76)	-	(97)	77	(96)
Income tax (expense) recovery - deferred	-	-	4,790	10	4,800
Income (loss) from continuing operations	$ 23,119	$ 13,381	$ (32,261)	$ (633)	$ 3,606
Add back:					
Interest expense	364	333	16,572	509	17,778
Amortization	139	262	3,829	(1)	4,229
Depreciation	3,050	2,506	428	27	6,011
Income tax expense - current	76	-	97	(77)	96
Income tax expense (recovery) - deferred	-	-	(4,790)	(10)	(4,800)
EBITDA from continuing operations	$ 26,748	$ 16,482	$ (16,125)	$ (185)	$ 26,920

11. Comparative figures

As a result of discontinued operations, the comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation in the September 30, 2016 interim consolidated financial statements. In addition to this, certain expenses previously classified as selling, general and administrative have been reclassified to cost of revenues. For the three and nine months ended September 30, 2015, $6,871 and $22,583 of costs previously in selling, general and administrative expenses, were reclassified to cost of revenues, respectively. This change enhances the comparability of the Company's financial results with that of its competitors and more accurately reflects the function of the relevant expenses. The comparative consolidated financial statements have been reclassified to reflect this change.