



# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

**Notice to Reader**

The accompanying financial statements have been re-filed due to the duplicate inclusion of notes 17 to 19 and omission of notes 24 and 25. No changes have otherwise been made to these audited financial statements originally filed on Sedar on March 4, 2022.



## MANAGEMENT STATEMENT OF RESPONSIBILITY

The preparation and presentation of the accompanying consolidated financial statements of McCoy Global Inc. (the "Corporation"), which have been prepared in accordance with International Financial Reporting Standards, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Corporation's financial position, financial performance and cash flows. The Corporation's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial information is reliable.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Corporation's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the consolidated financial statements in accordance with International Financial Reporting Standards. The auditor's report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Audit Committee meets regularly with management and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reports its findings to the Board of Directors for their consideration when approving the consolidated financial statements for issuance to the shareholders. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors.

**(signed) "Jim Rakievich"**

President & Chief Executive Officer

**(signed) "Lindsay McGill"**

Vice President & Chief Financial Officer

March 3, 2022



## Independent auditor's report

To the Shareholders of McCoy Global Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of McCoy Global Inc. and its subsidiaries (together, the Company or the Corporation) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of earnings (loss) and comprehensive earnings (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment assessment of goodwill, intangible assets and property, plant and equipment

*Refer to note 3 – Significant accounting policies, note 6 – Property, plant and equipment, note 7 – Intangible assets, and note 8 – Impairment of non-financial assets to the consolidated financial statements.*

The Corporation had goodwill of \$3,467,000, intangible assets of \$7,070,000 and property, plant and equipment (PP&E) of \$10,117,000 as at December 31, 2021. The carrying values of PP&E and intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Goodwill and intangible assets with indefinite useful lives or under development are tested for impairment at least annually. For impairment testing, assets are grouped together into cash generating units (CGUs), defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use (VIU). An impairment loss is recognized in earnings for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount.

During 2021, as the coronavirus (COVID-19) restrictions lessened in severity in certain geographies and the global economy began to re-open, oil demand began to rebound. Driven by improved demand and reduced global supply, oil

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the recoverable amount of the sole CGU as at December 31, 2021, which included the following:
  - Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow model.
  - Tested the reasonableness of the revenue growth rates and gross profit percentages applied by management in the discounted cash flow model by comparing them to the budget, management's strategic plans approved by the Board of Directors, results historically achieved by the sole CGU, and external metrics of North American and international rig and well counts.
  - Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's method and discounted cash flow model, as well as evaluating the reasonableness of the after-tax discount rate.
  - Tested the underlying data used in the discounted cash flow model.



## Key audit matter

## How our audit addressed the key audit matter

and gas prices have recovered to pre-pandemic levels. Despite this rebound, subsequent COVID-19 variants have continued to cause significant volatility and uncertainty in the oil and gas industry impacting the Corporation's revenues. These market conditions were determined to be an indicator of impairment requiring an assessment of the carrying values of the Corporation's goodwill, intangible assets and PP&E. The carrying values of goodwill, intangible assets and PP&E are included in the Corporation's sole CGU and the recoverable amount of that CGU was determined based on its VIU (the method), by discounting estimated future cash flows expected to be generated (discounted cash flow model).

Key assumptions used for the VIU calculation over the four-year financial forecast period require the use of estimates and judgments and include the revenue growth rates, gross profit percentages and after-tax discount rate. No impairment was recognized as a result of the 2021 impairment assessment.

We considered this a key audit matter due to (i) the significance of the goodwill, intangible assets and PP&E balances; (ii) the significant judgment made by management in determining the recoverable amount of the sole CGU, including the use of key assumptions; and (iii) the high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

### Valuation of inventories

*Refer to note 3 – Significant accounting policies and note 5 – Inventories to the consolidated financial statements.*

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the inventory provision, which included the following:



Key audit matter	How our audit addressed the key audit matter
<p>As at December 31, 2021, the Corporation held inventories of \$15,518,000, net of a provision for excess and obsolescence (inventory provision) of \$6,371,000. The Corporation's inventories consist of raw materials, work-in-progress, parts to be used in production, and finished goods available for sale. Finished goods available for sale consist of capital equipment and parts and accessories inventories that are available for sale to external parties.</p> <p>Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. If the carrying value exceeds net realizable value, a writedown is recognized. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed up to the maximum of the original writedown.</p> <p>The net realizable value of capital equipment included in inventories is assessed on an individual product basis considering current market prices for the equipment and management's assessment of forecasted demand. This resulted in a net recovery of \$241,000. All other items in inventories are assessed for obsolescence at a distinct part level using a formulaic approach, providing for items that have not been sold or utilized in production in the 24 months previous to the consolidated statements of financial position date. This resulted in a charge of \$11,000.</p> <p>We consider this a key audit matter due to the magnitude of the inventories and inventory provision balances and the significant judgments made by management in determining the</p>	<ul style="list-style-type: none"><li>- Tested the data used by management in determining the inventory provision and recalculated the mathematical accuracy of the inventory provision.</li><li>- Evaluated the appropriateness of management's inventory provision methodology.</li><li>- For capital equipment, evaluated on a sample basis the reasonableness of market prices for equipment and management's assessment of forecasted demand by assessing historical movements, forecasted external metrics supporting product demand, and based on discussions with management, including operations personnel.</li><li>- For all other inventories, evaluated the reasonableness of the rate applied to the items that have not been sold or utilized in production for the past 24 months by considering past experience.</li></ul> <ul style="list-style-type: none"><li>• Tested the completeness of the inventory provision by:<ul style="list-style-type: none"><li>- Testing the parts to be used in production and finished goods available for sale inventories at year-end were recorded at the lower of cost and net realizable value by comparing a sample of inventory item to most recent sales prices of inventories or similar items.</li><li>- Evaluating inventory product lines for which a portion of the inventory items have not been sold or utilized in production between 12 and 24 months by considering forecasted external metrics supporting future demand, sales orders, and the Corporation's backlog.</li></ul></li></ul>



Key audit matter	How our audit addressed the key audit matter
inventory provision. This in turn led to a high degree of auditor judgment and effort in performing procedures related to the inventory provision.	

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### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Hollinger.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Edmonton, Alberta  
March 3, 2022

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)

As at	Note	December 31, 2021	December 31, 2020
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		11,139	12,136
Restricted cash	11(d)(e)	885	500
Trade and other receivables	22	6,030	3,610
Inventories	5	15,518	15,925
Prepaid expenses and deposits		873	679
		34,445	32,850
Other receivables	22	39	39
Property, plant and equipment	6	10,117	10,466
Intangible assets	7	7,070	5,822
Goodwill		3,467	3,481
<b>Total assets</b>		55,138	52,658
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	4,897	3,633
Customer deposits		1,819	1,233
Provisions	10	598	956
Current lease liabilities	12	569	384
Borrowings	11	504	1,223
		8,387	7,429
Lease liabilities	12	3,051	3,644
Borrowings	11	3,690	6,081
<b>Total liabilities</b>		15,128	17,154
<b>Shareholders' equity</b>	14		
Share capital		59,993	59,712
Contributed surplus		5,682	5,560
Accumulated other comprehensive income		7,154	7,129
Accumulated deficit		(32,819)	(36,897)
<b>Total shareholders' equity</b>		40,010	35,504
<b>Total liabilities and shareholders' equity</b>		55,138	52,658

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

Approved by the Board of Directors

(signed) "Jim Rakievich"  
Director

(signed) "Chris Seaver"  
Director

## CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

(Stated in thousands of Canadian dollars, except per share amounts)

For the years ended	Note	December 31, 2021	December 31, 2020
		\$	\$
<b>Revenue</b>	16	<b>32,796</b>	38,674
<b>Cost of sales</b>		<b>23,652</b>	30,723
<b>Gross profit</b>		<b>9,144</b>	7,951
General and administration		5,596	5,921
Research and development		1,994	2,224
Sales and marketing		1,438	1,415
Finance charges, net	18	843	1,010
Restructuring charges	10	-	178
Other (gains), net	19	(4,805)	(631)
		<b>5,066</b>	10,117
<b>Earnings (loss) before income taxes</b>		<b>4,078</b>	(2,166)
<b>Income tax expense</b>	20		
Current		-	9
		-	9
<b>Net earnings (loss)</b>		<b>4,078</b>	(2,175)
<b>Other comprehensive loss</b>			
Translation gain (loss) of foreign operations		25	(423)
<b>Comprehensive earnings (loss)</b>		<b>4,103</b>	(2,598)
<b>Earnings (loss) per share</b>	21		
Basic from net earnings (loss)		<b>0.15</b>	(0.08)
Diluted from net earnings (loss)		<b>0.14</b>	(0.08)

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands of Canadian dollars, except share amounts)

	Note	Issued capital			Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
		Number of shares	Share capital	Contributed surplus			
		#	\$	\$	\$	\$	\$
<b>Balances at January 1, 2020</b>		27,630,989	59,636	5,384	7,552	(34,722)	37,850
Net loss		-	-	-	-	(2,175)	(2,175)
Translation loss on foreign operations		-	-	-	(423)	-	(423)
Employee share-based compensation expense		-	-	176	-	-	176
Issuance of common shares under restricted share plan	15	171,500	76	-	-	-	76
<b>Balances at December 31, 2020</b>		27,802,489	59,712	5,560	7,129	(36,897)	35,504
Net earnings		-	-	-	-	4,078	4,078
Translation gain on foreign operations		-	-	-	25	-	25
Employee share-based compensation expense	15	-	-	122	-	-	122
Issuance of common shares under restricted share plan	15	422,500	281	-	-	-	281
<b>Balances at December 31, 2021</b>		28,224,989	59,993	5,682	7,154	(32,819)	40,010

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of Canadian dollars)

For the years ended	Note	December 31, 2021	December 31, 2020
<b>Cash generated from (used in)</b>		\$	\$
<b>Operating activities</b>			
Net earnings (loss)		4,078	(2,175)
Adjustments for:			
Depreciation of property, plant and equipment	6	2,167	2,473
Amortization of intangible assets	7	792	843
Income tax expense		-	9
Finance charges, net		843	1,010
Share-based compensation expense	15	592	273
Changes in non-cash working capital balances	25	(1,157)	8,348
Change in restructuring and facility remediation provisions	10	(86)	(562)
Income taxes paid		-	(9)
Finance costs paid, net		(779)	(983)
Gain on lease remeasurement	6	-	(292)
Gain on disposal of property, plant and equipment		(192)	(121)
Amounts forgiven under US Paycheck Protection Program	11	(4,799)	-
<b>Net cash generated from operating activities</b>		<b>1,459</b>	<b>8,814</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	6	(1,905)	(1,530)
Proceeds from sale of property, plant and equipment		241	157
Additions to intangible assets	7	(2,051)	(2,257)
<b>Net cash used in investing activities</b>		<b>(3,715)</b>	<b>(3,630)</b>
<b>Financing activities</b>			
Repayment of borrowings	11	(1,844)	(6,374)
Proceeds from borrowings under US Paycheck Protection Program	11	2,468	2,660
Proceeds from borrowings	11	1,269	3,172
Proceeds from issuance of common shares under restricted share plan	15	281	76
Principal elements of lease payments	12	(391)	(670)
Reduction in restricted cash	11	390	-
Increase in restricted cash	11	(775)	-
<b>Net cash generated from (used in) financing activities</b>		<b>1,398</b>	<b>(1,136)</b>
Effect of exchange rate changes on cash and cash equivalents		(139)	(294)
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(997)</b>	<b>3,754</b>
<b>Cash and cash equivalents – beginning of the year</b>		<b>12,136</b>	<b>8,382</b>
<b>Cash and cash equivalents – end of the year</b>		<b>11,139</b>	<b>12,136</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

*(in thousands of Canadian dollars, except share data or unless otherwise specified)*

### 1. NATURE OF OPERATIONS

McCoy Global Inc. (“McCoy”, “McCoy Global” or the “Corporation”) is incorporated and domiciled in Canada and is a leading provider of equipment and technologies designed to support tubular running operations, enhance wellbore integrity and assist with collecting critical data for the global energy industry. McCoy Global’s core products are used predominantly during the well construction phase for both land and offshore wells during both oil and gas exploration and development.

The Corporation is engaged in the following:

- design, production and distribution of capital equipment to support tubular running operations, enhance wellbore integrity and to support capital equipment sales through aftermarket products and services such as technical support, consumables and replacement parts;
- design, production and distribution of data collection technologies used in rugged applications for the global energy industry as well as in construction, marine and aerospace;
- repair, maintenance and calibration of the Corporation’s capital equipment and similar competitor products; and
- rental of the Corporation’s equipment and technologies.

Set out below are McCoy’s principal operations:

Operating Name	Country of Incorporation	Operating Region	Ownership Interest
McCoy Global Canada Corp.	Canada	Canada	100%
McCoy Global FZE	United Arab Emirates	Eastern Hemisphere	100%
McCoy Global USA, Inc.	United States	United States, Central America & Latin America	100%

McCoy and its subsidiary companies are collectively referred to herein as the “Corporation.”

The address of the registered office of the Corporation is DLA Piper (Canada) LLP, Livingston Place, 1000 - 250 2nd Street SW, Calgary, Alberta. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “MCB.”

### 2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements were approved by the Board of Directors on March 3, 2022.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented unless otherwise stated herein.

#### a) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes. The consolidated financial statements are presented in Canadian dollars, rounded to the nearest thousand, except when otherwise indicated. The Corporation’s Canadian operations have a functional currency of Canadian dollars. The Corporation’s principal operations in the United States and the United Arab Emirates have a functional currency of US dollars.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of (loss) earnings and comprehensive earnings (loss) are presented using the function classification for expenditures.

#### *Impact of COVID-19 Pandemic*

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments worldwide, including those countries in which the Corporation operates, enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand for oil. Demand for the Corporation's products and services declined as customers continued to revise their capital budgets downwards and swiftly adjusted their operations in response to lower commodity prices.

During 2021, as COVID-19 restrictions lessened in severity in certain geographies and the global economy began to re-open, oil demand began to rebound. Driven by improved demand and reduced global supply, oil and gas prices have recovered to pre-pandemic levels. Despite this rebound, subsequent COVID-19 variants have continued to cause significant volatility and uncertainty in the oil and gas industry impacting the Corporation's revenues. Though the Corporation has begun to see improved demand for aftermarket replacement parts and service revenues, customers' capital spending over the course of 2021 has remained below pre-pandemic levels.

Although the duration and magnitude of the pandemic is uncertain, the current market environment, as further described in note 8, may have a significant adverse impact on the Corporation including, but not limited to, substantial reductions in revenue and cash flows from pre-pandemic levels. Estimates and judgments made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period. Any significant adverse changes to these factors may further impact the Corporation's operating plan and results, its liquidity and cash flows and the valuation of long-lived assets.

In response to this uncertainty, the Corporation has completed the following actions to support ongoing liquidity:

- Reductions in workforce, throughout all functions of the Corporation;
- Salary and wage reductions across all levels of the organization;
- Additional reductions to general and administrative overhead expenditures, non-essential travel and other discretionary spending; and
- Applications for government assistance, including the Canadian Emergency Wage Subsidy and the US Paycheck Protection Program.

#### **b) BASIS OF CONSOLIDATION**

Subsidiaries are those entities the Corporation controls. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation until the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- acquisition transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date;
- the excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the fair value of the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

#### **c) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments about the future that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures

of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. If these estimates and judgments prove to be inaccurate, future earnings may be materially impacted.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized prospectively. Actual results may differ from those estimates.

The areas involving a higher degree of judgment or estimation that are significant to the consolidated financial statements are as follows:

**(i) INVENTORIES**

The Corporation records inventories at the lower of cost and net realizable value. Inventory writedowns, or reversals of previous writedowns, are recorded each period as required and updated based on management's judgment. Further information regarding this judgment is described in note 3(g) and note 5.

**(ii) TRADE AND OTHER RECEIVABLES**

The Corporation records trade and other receivables at amortized cost. Writedowns for trade and other receivables are recorded each period as required under the expected credit loss model and further updated based on management's judgment. Further information regarding judgments is described in note 22(b)(ii).

**(iii) PROVISIONS**

Estimates and judgments are used in measuring and recognizing provisions and the Corporation's exposure to contingent liabilities. Judgment is necessary to determine the likelihood and estimated future outflow of resources that may be required to settle any future or existing claims, onerous contracts or contingent obligations. Further information regarding these estimates and judgments are described in note 3(l) and note 10.

**(iv) INCOME TAXES**

The Corporation operates in several tax jurisdictions and is required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. The calculation of income taxes requires the use of judgment. Further information regarding the judgment used is described in note 3(n) and note 20.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Judgment and estimation are necessary to determine the likelihood and availability of future taxable profits against which tax losses and tax credits carried forward can be used. Further information regarding this judgment is described in note 3(n) and note 13.

**(v) IMPAIRMENT OF NON-FINANCIAL ASSETS**

Long-lived assets include property, plant and equipment, intangible assets and goodwill. The carrying value of these assets is periodically reviewed for impairment (goodwill and intangibles under development at least annually) or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the accounting policy stated in note 3(k). Judgment is required in the aggregation of assets into Cash Generating Units ("CGUs").

The recoverable amounts of CGUs are determined based on the greater of fair value less cost to sell and value-in-use calculations. These calculations require the use of estimates and judgments, including an estimation of the future cash flows from the CGU or group of CGUs and judgment is required in determining the appropriate discount rate. In deriving the underlying projected cash flows, assumptions must also be made about the impact of future drilling activity on revenues, operating margins and market conditions over the useful life of the assets or CGUs. Although estimates are consistent with current industry reports, internal planning and expected future operations, such estimations are subject to uncertainty and judgment. Further information regarding the estimates and judgment used is described in note 8.

**(vi) LEASES**

Extension options are included in a number of property leases within the Corporation. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Corporation makes estimates in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate should reflect the interest that the Corporation would have to pay to borrow at a similar term with similar security.

#### d) TRANSLATION OF FOREIGN CURRENCY

##### (i) FOREIGN CURRENCY TRANSACTIONS

Monetary and non-monetary transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Foreign currency translation differences are recognized in earnings or loss.

##### (ii) FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The earnings and expenditures of foreign operations are translated into Canadian dollars each month using the monthly average foreign exchange rate applicable for that month. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognized in other comprehensive income ("OCI") as a translation gain or loss on foreign operations, and may be subsequently reclassified to earnings or loss on disposal of a foreign operation.

#### e) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligation has been discharged, cancelled or expired.

##### (i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

At initial recognition, non-derivative financial instruments are measured at fair value and are classified as either amortized cost or fair value through profit or loss.

The Corporation has designated its non-derivative financial instruments as follows:

Financial Instrument	Measurement
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost
Onerous contracts provisions	Amortized cost

Financial instruments at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, these instruments are measured at amortized cost using the effective interest method less a provision for impairment.

#### f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents primarily comprise Canadian dollar and US dollar cash on deposit. The Corporation holds local currency for each location its operations are in for local purchases and expenditures.

#### g) INVENTORIES

Raw materials, work-in-progress and finished goods inventories are recorded at the lower of cost, as determined on a weighted average cost basis, and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of work-in-progress and finished goods and manufactured production parts inventories includes raw materials, direct labour and an estimated share of production overheads based on normal operating capacity. If the carrying value exceeds net realizable value, a writedown is recognized. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed. The maximum reversal of any amount is the original writedown, so that the new carrying amount is the lower of cost and the revised net realizable value.

Finished goods consist of parts and equipment inventories that are available for sale to external parties. Certain parts, classified as finished goods, may also be used in the production of other finished goods.

## **h) PROPERTY, PLANT AND EQUIPMENT**

### **(i) RECOGNITION AND MEASUREMENT**

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When parts of an item of PP&E have different useful lives, they are accounted for as separate major components of PP&E.

Gains and losses on disposals of PP&E are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in earnings.

### **(ii) SUBSEQUENT COSTS**

Costs incurred subsequent to an asset being put into use are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to earnings or loss as incurred.

### **(iii) DEPRECIATION**

PP&E is depreciated on a straight-line basis over the period of their expected useful lives as follows:

Buildings	15 years
Machinery and office equipment	3 - 15 years
Rental equipment	2 - 4 years
Computer equipment	1 - 3 years
Right-of-use assets	Lesser of the term of related lease and asset useful life
Leasehold improvements	Lesser of the term of related lease and asset useful life

No depreciation is charged on land. Depreciation is not recognized on assets under construction until such time that they are ready for their intended use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. The effect of such changes is recognized in earnings or loss prospectively.

## **i) INTANGIBLE ASSETS**

### **(i) INTERNALLY GENERATED INTANGIBLE ASSETS**

Expenditures on research are recognized as an expense as incurred.

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably. The expenditures capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to the asset in order for it to be capable of operating in the manner intended by management. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

The Corporation has incurred costs associated with the purchase and development of computer software. Computer software is initially recorded at cost, including directly attributable expenditures that are necessary to prepare the software for its intended use. Costs associated with maintaining computer software are recognized as an expense as incurred. Subsequent to initial recognition, software development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

**(ii) AMORTIZATION**

Intangible assets with finite lives are amortized on a straight-line basis over the period of their expected useful lives as follows:

Acquired intellectual property	7 years
Internally generated intellectual property	3 - 5 years
Software	1 - 5 years

Amortization is not recognized on assets under development until such time that they are ready for their intended use.

**j) GOODWILL**

Goodwill reflects the excess of the consideration transferred, amount of non-controlling interest in the acquired entity, and the acquisition date fair value of any prior equity interest in the acquired entity over the fair value of the net identified assets acquired.

Goodwill is not amortized but is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable as described in note 3(l).

**k) IMPAIRMENT**

**(i) FINANCIAL ASSETS**

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced by this amount, either directly or indirectly, through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

## (ii) NON-FINANCIAL ASSETS

The carrying values of non-financial assets, such as PP&E and intangible assets with finite useful lives, are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is determined. Goodwill and intangible assets with indefinite useful lives or under development are tested for impairment at least annually.

For impairment testing, assets are grouped together into CGUs, defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Corporate assets are allocated to CGUs on a reasonable and consistent basis, where possible.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

An impairment loss is recognized in earnings for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairments of goodwill are never reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## l) PROVISIONS

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for restructuring and has formally announced the plan's main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

## m) LEASES

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

- **As a lessee**

The Corporation recognizes a right-of-use asset and a lease liability at 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 at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- **As a lessor**

When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made by customers under operating leases (net of any incentives received from the lessor) are charged to earnings on a straight-line basis over the period of the lease.

Leases in which substantially all the risks and rewards of ownership have transferred to the Corporation's customers are classified as finance leases.

Each lease payment is allocated between revenue and finance income to achieve a constant rate on the finance lease balance outstanding. The corresponding rental receivables, net of finance charges, are included in other receivables on the consolidated statements of financial position. The interest element of the finance income is charged to earnings or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

After the commencement date of a lease contract, remeasurements of a lease liability result from either a lease modification or reassessment. A change in the scope of a lease contract, or the consideration for a lease, that was not part of its original terms and conditions is considered a lease modification. A lease modification is assessed to determine whether it meets the criteria of a separate lease that would require a separate right-of-use asset and a corresponding lease liability at the effective date of the modification. If the lease modification is not a separate lease, the Corporation remeasures the lease liability to reflect changes to the lease payments and adjusts the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the Corporation recognizes the remaining amount of the remeasurement in the determination of profit or loss. A lease reassessment takes place when there are changes in the lease payments based on contractual clauses included in the original contract. For lease reassessments, the lease liability is remeasured to reflect changes to the lease payments and adjusts the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the Corporation recognizes the remaining amount of the remeasurement in the determination of profit or loss.

## **n) INCOME TAXES**

Income tax expense comprises current and deferred taxes. Current and deferred taxes are normally recognized in earnings or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income for the period, using the tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when they relate to taxes levied by the same tax authority on the same taxable entity and there is a legally enforceable right to offset the current tax assets and liabilities.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

**o) SHARE-BASED COMPENSATION**

**(i) EQUITY SETTLED SHARE-BASED COMPENSATION**

The Corporation grants share options to certain employees, which are equity settled. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized as an employee expense over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

**(ii) CASH SETTLED SHARE-BASED COMPENSATION**

The Corporation grants deferred share units ("DSUs") to certain directors of the Corporation and the Corporation also grants restricted shares under the terms of its restricted share plan ("RSP") to certain employees of the Corporation, which are cash settled. Fair value is measured at the date of grant using the share price at the date of issuance. Compensation expense is recognized over the vesting period based on the number of awards expected to vest, by increasing or decreasing liabilities. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately. The fair value of the liability is remeasured on each consolidated statement of financial position date and settlement date, with any changes in fair value recognized in earnings or loss.

**p) SHARE CAPITAL**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

**q) EARNINGS PER SHARE**

The Corporation presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS are calculated by dividing the net earnings for the year attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted EPS are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares comprise share options granted to employees.

**r) REVENUE**

**(i) SALE OF PRODUCTS**

The Corporation's products are sold based on purchase orders or contracts with customers that include fixed or determinable prices and do not generally include a right of return or other significant post-delivery obligations. Revenue from product sales is recognized at a point in time when a performance obligation has been satisfied by transferring control of promised goods to the customer, which is typically at the point of shipment. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Payment terms and conditions vary, but contracts generally do not include a significant financing component. Provisions for estimated warranty costs are made at the time the related revenue is recognized.

Miscellaneous charges invoiced to customers such as those for freight and crating are recorded on a net basis against the costs incurred within the cost of sales line item on the consolidated statements of (loss) earnings and comprehensive earnings (loss) as the Corporation acts in an agent role for these activities.

**(ii) RENDERING OF SERVICES**

Revenues from repair, maintenance and calibration services are recognized over time as the services are rendered. Rates for services are typically priced on a per man-hour or similar basis.

**(iii) RENTAL**

Revenues from equipment rentals are recognized when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved and when recovery of the consideration is probable. Equipment rental revenue is recognized as performance requirements are achieved in accordance with the terms of the relevant agreement with the customer.

**s) GOVERNMENT ASSISTANCE**

Government assistance is recognized in the consolidated statements of earnings (loss) and comprehensive earnings (loss) when there is reasonable assurance that the assistance will be received and the Corporation will comply with all relevant conditions. Government assistance related to current expenses is recorded in the determination of net (loss) earnings in the same period.

**4. FUTURE ACCOUNTING PRONOUNCEMENTS**

From time to time IASB and IFRIC issue a number of new standards, amendments to standards and interpretations that are effective for future reporting periods. There are no standards that are not yet effective that would be expected to have a material impact on the Corporation in the current or future reporting periods at this time.

## 5. INVENTORIES

As at	December 31, 2021			December 31, 2020		
	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	\$	\$	\$	\$	\$	\$
Raw materials	1,238	(315)	923	1,341	(285)	1,056
Work-in-progress	1,754	-	1,754	1,778	-	1,778
Parts to be used in production	10,602	(3,391)	7,211	10,506	(3,532)	6,974
Production inventory	13,594	(3,706)	9,888	13,625	(3,817)	9,808
Capital equipment available for sale	1,640	(372)	1,268	1,640	(627)	1,013
Parts and accessories available for sale	6,655	(2,293)	4,362	7,318	(2,214)	5,104
	21,889	(6,371)	15,518	22,583	(6,658)	15,925

Production inventories are purchased or produced for use in the production of finished goods. Finished goods available for sale consist of capital equipment and parts and accessories inventories that are available for sale to external parties.

Included in cost of sales for the year ended December 31, 2021, is a net recovery of \$230 (2020 - net write-down of \$1,786). A write-down is taken if management determines that the carrying value of the inventory item(s) exceed net realizable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The maximum amount of any reversal is the original write-down, such that the new carrying amount is the lower of cost or the revised net realizable value.

The net realizable value of capital equipment included in inventories is assessed on an individual product basis considering current market prices for the equipment and management's assessment of forecasted demand. For the year ended December 31, 2021, this resulted in a net recovery of \$241 (2020 - \$2).

All other items in inventory are assessed for obsolescence at a distinct part level. The estimated net realizable value of these items is determined using a formulaic approach, providing for items that have not been sold or utilized in production in the 24 months previous to the consolidated statements of financial position date. This resulted in a charge of \$11 (2020 -\$1,303). During the year ended December 31, 2020, subsequent to applying the formulaic approach described above, management considered other factors relevant to the realizable value of inventory, which resulted in a net incremental charge of \$485. The net incremental charge related to parts that had not transacted in one year as of the consolidated statements of financial position date and related to product lines whose sales forecasts were expected to be more severely impacted by the economic environment as described in note 3a. Additionally for the year ended December 31, 2020, management also utilized judgment in assessing recoveries for inventory items that had previously been provided for and for which some quantity had subsequently been utilized or sold. For these items, management evaluated the quantity of usage or sales at the distinct part level in comparison to the total quantity on hand. For parts where usage or sale was not greater than 25% compared to a benchmark level, these remaining quantities of the specific part were provided for.

During the year ended December 31, 2021 the Corporation disposed of \$2 of inventory that had been identified as excess and obsolete and provided for in previous years (2020 - \$997).

## 6. PROPERTY, PLANT AND EQUIPMENT (PP&E)

	Land	Buildings	Machinery, office and computer equipment	Rental equipment	Right-of-use assets - buildings	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
At January 1, 2020	1,330	3,332	9,728	4,277	3,615	1,804	24,086
Lease remeasurement	-	-	-	-	1,867	-	1,867
Additions	-	-	63	-	-	32	95
Transfers from inventory	-	-	-	1,435	-	-	1,435
Disposals and retirements	-	-	(303)	(70)	(245)	-	(618)
Foreign exchange	(26)	(66)	(201)	(153)	(47)	(31)	(524)
<b>At December 31, 2020</b>	<b>1,304</b>	<b>3,266</b>	<b>9,287</b>	<b>5,489</b>	<b>5,190</b>	<b>1,805</b>	<b>26,341</b>
Additions	-	-	111	-	-	24	135
Transfers from inventory	-	-	-	1,770	-	-	1,770
Disposals and retirements	-	-	(1,875)	(740)	-	(28)	(2,643)
Foreign exchange	(5)	(14)	(57)	(9)	(19)	(7)	(111)
<b>At December 31, 2021</b>	<b>1,299</b>	<b>3,252</b>	<b>7,466</b>	<b>6,510</b>	<b>5,171</b>	<b>1,794</b>	<b>25,492</b>
<b>Accumulated depreciation</b>							
At January 1, 2020	-	678	8,493	2,735	901	1,454	14,261
Depreciation	-	237	457	914	798	67	2,473
Disposals and retirements	-	-	(303)	(34)	(99)	-	(436)
Foreign exchange	-	(26)	(198)	(120)	(50)	(29)	(423)
<b>At December 31, 2020</b>	<b>-</b>	<b>889</b>	<b>8,449</b>	<b>3,495</b>	<b>1,550</b>	<b>1,492</b>	<b>15,875</b>
Depreciation	-	221	274	975	630	67	2,167
Disposals and retirements	-	-	(1,838)	(728)	-	(28)	(2,594)
Foreign exchange	-	(2)	(50)	(14)	-	(7)	(73)
<b>December 31, 2021</b>	<b>-</b>	<b>1,108</b>	<b>6,835</b>	<b>3,728</b>	<b>2,180</b>	<b>1,524</b>	<b>15,375</b>
<b>Carrying amount</b>							
At December 31, 2020	1,304	2,377	838	1,994	3,640	313	10,466
<b>At December 31, 2021</b>	<b>1,299</b>	<b>2,144</b>	<b>631</b>	<b>2,782</b>	<b>2,991</b>	<b>270</b>	<b>10,117</b>

During the year ended December 31, 2021, depreciation included in cost of sales amounted to \$1,931 (2020 - \$2,234) and depreciation in general and administration amounted to \$236 (2020 - \$239).

Additions to the rental fleet during 2021 and 2020 are comprised of equipment capitalized from inventory.

During the year ended December 31, 2020, the Corporation amended an existing facility lease agreement for its Broussard, Louisiana facility. Under the amended agreement, certain of the agreement's terms were modified as follows:

- The lease term was extended from June 30, 2022 to May 31, 2027;
- Contractual annual lease payments were reduced by US\$420 for the period from June 1, 2020 to May 31, 2022;
- Contractual annual lease payments for the extension period of June 30, 2022 to May 31, 2027 are US\$600; and
- The Corporation returned a portion of the property under the original lease agreement to the landlord effective December 31, 2020.

The lease modification resulted in a net increase of \$1,867 to right-of-use assets and increase in lease liabilities of \$1,575, with the difference related to the return of a portion of the property being recorded as a gain of \$292 included in other (gains), net on the

consolidated statements of earnings (loss) and comprehensive loss. The lease liability was measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at June 1, 2020. The weighted average incremental borrowing rate applied to the lease modification on June 1, 2020 was 9.0%.

## 7. INTANGIBLE ASSETS

	Internally generated intellectual property	Acquired intellectual property	Software and internally generated software	Total
	\$	\$	\$	\$
<b>Cost</b>				
At January 1, 2020	2,479	2,537	2,802	7,818
Additions	2,204	-	53	2,257
Foreign exchange	(154)	(51)	-	(205)
At December 31, 2020	4,529	2,486	2,855	9,870
Additions	<b>2,051</b>	-	-	<b>2,051</b>
Retirements	<b>(316)</b>	-	<b>(8)</b>	<b>(324)</b>
Foreign exchange	<b>5</b>	<b>(11)</b>	-	<b>(6)</b>
<b>At December 31, 2021</b>	<b>6,269</b>	<b>2,475</b>	<b>2,847</b>	<b>11,591</b>
<b>Accumulated amortization</b>				
At January 1, 2020	369	91	2,791	3,251
Amortization	459	375	9	843
Foreign exchange	(24)	(22)	-	(46)
At December 31, 2020	804	444	2,800	4,048
Amortization	<b>428</b>	<b>350</b>	<b>14</b>	<b>792</b>
Retirements	<b>(316)</b>	-	<b>(8)</b>	<b>(324)</b>
Foreign exchange	<b>3</b>	<b>2</b>	-	<b>5</b>
<b>At December 31, 2021</b>	<b>919</b>	<b>796</b>	<b>2,806</b>	<b>4,521</b>
<b>Carrying amounts</b>				
At December 31, 2020	3,725	2,042	55	5,822
<b>At December 31, 2021</b>	<b>5,350</b>	<b>1,679</b>	<b>41</b>	<b>7,070</b>

As at December 31, 2021, internally generated intellectual property that were under development and not amortized amounted to \$4,158 (2020 - \$2,221).

During the year ended December 31, 2021, amortization included in cost of sales amounted to \$778 (2020 - \$834) and amortization in general and administration amounted to \$14 (2020 - \$9).

When it is determined that the cost and accumulated amortization of assets have no remaining economic lives, they are retired.

The remaining amortization period of the finite life intangible assets is as follows:

	2021	2020
Internally generated intellectual property	<b>3 - 5 years</b>	3 - 5 years
Acquired intellectual property	<b>6 years</b>	6 years
Software	<b>1 - 5 years</b>	1 - 5 years

## 8. IMPAIRMENT OF NON-FINANCIAL ASSETS

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments worldwide, including those countries in which the Corporation operates, enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand for oil. Demand for the Corporation's products and services declined as customers continued to revise their capital budgets downwards and swiftly adjusted their operations in response to lower commodity prices.

During 2021, as COVID-19 restrictions lessened in severity in certain geographies and the global economy began to re-open, oil demand began to rebound. Driven by improved demand and reduced global supply, oil and gas prices have recovered to pre-pandemic levels. Despite this rebound, subsequent COVID-19 variants have continued to cause significant volatility and uncertainty in the oil and gas industry impacting the Corporation's revenues. Though the Corporation has begun to see improved demand for aftermarket replacement parts and service revenues, customers' capital spending over the course of 2021 has remained below pre-pandemic levels.

These market conditions have significantly impacted the Corporation's business and financial projections and as such, were determined to be an indicator of impairment requiring an assessment of the carrying value of the Corporation's goodwill, intangible assets and property, plant and equipment. The carrying amount of goodwill, intangible assets and property, plant and equipment are included in the Corporation's sole CGU and the recoverable amount of this CGU was determined based on its value in use, by discounting estimated future cash flows expected to be generated. The determination of the recoverable amount of the CGU uses projections over a five-year period based on financial budgets approved by management and reviewed by the Corporation's Board of Directors. This evaluation was prepared as of December 31, 2021 (2020 - December 31).

Key assumptions used for the value in use calculations over the four-year financial forecast include:

	2021	2020
Average revenue growth	11.6%	11.5%
Average gross profit percentage	33.1%	36.2%
After-tax discount rate	16.7%	16.7%

Management has determined the values assigned to each of the above key assumptions as follows:

- Revenue cash flows: Estimated cash flows are based on actual and forecasted orders which are projected for future periods based on forecasted North American and international rig and well counts, past performance and management's expectations of market development.
- Gross profit percentage: Based on past performance and management's expectations for the future.
- After-tax discount rate: Estimated weighted average cost of capital that reflects the specific risks relating to the Corporation and locations in which it operates.

On completion of the impairment assessment, it was determined that no impairment was to be recognized as the recoverable amount significantly exceeded the carrying value of the Corporation's non-financial assets. Any significant adverse changes in future periods to internal forecasts employed in the model or the external market conditions could reasonably be expected to negatively affect key assumptions employed in the model and may result in future impairment charges, which could be material.

## 9. TRADE AND OTHER PAYABLES

	Note	2021	2020
		\$	\$
Trade payables		3,544	2,346
Accrued liabilities and other payables		1,045	1,074
Cash settled share-based compensation	15(b)	308	213
		4,897	3,633

## 10. PROVISIONS

Note	Warranty	Legal	Restructuring	Facility remediation	Total
	\$	\$	\$	\$	\$
At January 1, 2020	721	122	97	657	1,597
Provisions made during the year	275	-	178	45	498
Provisions utilized during the year	(202)	(122)	(128)	(657)	(1,109)
Foreign exchange	(28)	-	(2)	-	(30)
At December 31, 2020	766	-	145	45	956
Provisions made during the year	<b>263</b>	-	-	-	<b>263</b>
Change in estimate	<b>(185)</b>	-	-	-	<b>(185)</b>
Provisions utilized during the year	<b>(352)</b>	-	<b>(86)</b>	-	<b>(438)</b>
Foreign exchange	<b>2</b>	-	-	-	<b>2</b>
<b>At December 31, 2021</b>	<b>494</b>	<b>-</b>	<b>59</b>	<b>45</b>	<b>598</b>

### a) WARRANTY

The warranty provision relates to the expected cost of meeting warranty obligations. Judgment related to the provisions is based on historical data and other known information and is an estimate of the warranty required for products sold on or before the reporting date.

### b) LEGAL

In the normal course of the Corporation's business, it may become involved in, named as a party to, or be the subject of, various legal proceedings related to personal injuries, environmental claims, property damage, contractual disputes, patent infringement and regulatory matters, among others. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and, as a result, could have a material adverse effect on the Corporation's financial performance, financial position and liquidity. Losses, if any, may be covered by the Corporation's insurance.

### c) RESTRUCTURING

As at December 31, 2021 and December 31, 2020, restructuring provisions relate to certain unavoidable operation costs associated with onerous contracts that were recognized in conjunction with the Corporation's restructuring plans and cost containment initiatives announced in April 2020 (note 3a).

### d) FACILITY REMEDIATION

During the year ended December 31, 2020, the Corporation identified a property encroachment matter related to its real estate in Cedar Park, Texas. As such, the Corporation recorded a provision for \$45 to fully remediate the matter. The matter has yet to be remediated as at December 31, 2021.

## 11. BORROWINGS

Changes in liabilities for which cash flows have been classified as financing activities in the consolidated statements of cash flows are as follows:

	Senior Secured Term Loan I	Senior Secured Term Loan II	US Paycheck Protection Program Loan	Secured Promissory Note	Unsecured Promissory Note	Total
	11(a)	11(b)	11(c)			
	\$	\$	\$	\$	\$	\$
Balances at January 1, 2020	3,211	-	-	3,031	1,948	8,190
Proceeds of borrowings	-	3,172	2,660	-	-	5,832
Deferred financing charges	-	(151)	-	-	-	(151)
Repayments of borrowings	(1,281)	-	-	(3,172)	(1,921)	(6,374)
Amortization of deferred charges	21	14	-	88	-	123
Foreign exchange adjustment	(61)	(120)	(161)	53	(27)	(316)
<b>Balances at December 31, 2020</b>	<b>1,890</b>	<b>2,915</b>	<b>2,499</b>	<b>-</b>	<b>-</b>	<b>7,304</b>
Proceeds of borrowings	-	<b>1,269</b>	<b>2,468</b>	-	-	<b>3,737</b>
Deferred financing charges	-	(12)	-	-	-	(12)
Repayments of borrowings	(1,844)	-	-	-	-	(1,844)
Amount forgiven	-	-	(4,799)	-	-	(4,799)
Amortization of deferred charges	20	35	-	-	-	55
Foreign exchange adjustment	(66)	(13)	(168)	-	-	(247)
<b>Balances at December 31, 2021</b>	<b>-</b>	<b>4,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,194</b>
Current, net of deferred charges	-	504	-	-	-	504
Non-current, net of deferred charges	-	3,690	-	-	-	3,690

Scheduled principal repayments under the borrowing arrangements calculated using foreign exchange rates in effect at December 31, 2021 are as follows:

	Senior Secured Term Loan II
	\$
2022	539
2023	2,155
2024	1,614
<b>Total</b>	<b>4,308</b>

**a) SENIOR SECURED TERM LOAN I**

During the year ended December 31, 2018, the Corporation entered into a term loan agreement for \$5,209 (USD\$4.0 million). The loan has a term of four years and is repayable in equal quarterly payments of principal, plus interest. Interest is calculated at either LIBOR plus 5.05% or the US Prime Rate plus 3.55%, at the Corporation's option. During the year ended December 31, 2021, the term loan was repaid in full.

**b) SENIOR SECURED TERM LOAN II**

During the year ended December 31, 2021, the Corporation received \$1,269 (US\$1,000) of funding from a second draw available under its Senior Secured Term Loan II (December 31, 2020 - \$3,172 under its first draw [US\$2,400]). The term loan bears interest at US Prime Rate plus 4.95% per annum (December 31, 2021 - 8.20%) and is repayable in eight equal quarterly instalments beginning on December 6, 2022. The facility is subject to customary conditions and is secured by a second position general security interest over certain assets of the Corporation and its subsidiaries, including certain real estate in Cedar Park, Texas (net book value as at December 31, 2021 - \$3,443). Under the terms of the agreement, the Corporation is subject to a financial covenant minimum fixed charge coverage ratio of 1:1 for the year ending December 31, 2021; and 1.25:1 for years ending thereafter; where the fixed charge coverage ratio is calculated as earnings before interest, taxes, depreciation and amortization less capital expenditures over the sum of interest expense, principal payment of indebtedness and lease payments made during the period. As the December 31, 2021, the Corporation was in compliance with this covenant. The term loan can be prepaid at any time after the first repayment date of December 6, 2022 at whole installment(s) of principal with 90 days' interest on the principal amount being prepaid.

**c) US PAYCHECK PROTECTION PROGRAM (PPP) LOAN**

During the year ended December 31, 2020, the Corporation received \$2,660 (US\$1,963) of funding under its first application for the PPP. The Corporation received full forgiveness for first-round funding of the PPP of \$2,369 (US\$1,963). The proceeds of the funding were used to directly support the Corporation's US employee payroll expenditures.

During the year ended December 31, 2021, the Corporation received \$2,468 (US\$1,963) of funding under its application for second round funding of the PPP. The Corporation received full forgiveness for second-round funding of the PPP of \$2,468 (US\$1,963). The proceeds of the funding were used to directly support the Corporation's US employee payroll expenditures.

**d) CASH SECURED CREDIT FACILITY**

During the year ended December 31, 2018, the Corporation entered into a \$500 credit facility to support cash management and trade letters of credit. During the year ended December 31, 2021, the credit facility was reduced to \$110. The credit facility is secured by \$110 in cash and cash equivalents, which is to be held under the Creditor's authority as security. The \$110 of cash and cash equivalents held as collateral is presented as restricted cash on the consolidated statements of financial position.

**e) REVOLVING DEMAND FACILITY**

In October 2020, the Corporation secured a US\$2.5 million revolving demand facility with a Canadian chartered bank. As at December 31, 2021, \$775 cash and cash equivalents was held as collateral under the creditor's authority. The cash security is presented as restricted cash on the consolidated statements of financial position. The revolving demand facility bears interest at US Base Rate plus 1.35% per annum (December 31, 2021 - 4.6%) and is secured by a general security agreement in addition to the assignment of US\$0.63 million of term deposits noted above. As at December 31, 2021, the amount available under the facility was \$3,084, with \$85 committed to letters of credit. The balance available is calculated as the lesser of \$3,084; and the total of 75% of eligible US and Canadian accounts receivables, net of customer deposits, aged less than 90 days; 75% of eligible foreign accounts receivable, net of customer deposits, aged less than 90 days to a maximum of US\$1.25 million, 50% of raw materials and finished goods inventory to a maximum of US\$1.25 million and cash security on hand.

## 12. LEASES

The Corporation recognizes lease liabilities in relation to contractual lease payments, measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liability additions and modifications was 9.0%.

	Note	2021	2020
		\$	\$
Lease liability as at January 1		4,028	3,261
Finance charges on lease liabilities	18	331	343
Remeasurements	6	-	1,575
Principal elements of lease payments		(391)	(670)
Payment of finance charges on lease liabilities		(331)	(343)
Foreign exchange		(17)	(138)
<b>Lease liability as at December 31</b>		<b>3,620</b>	<b>4,028</b>
Current		569	384
Non-current		3,051	3,644

## 13. DEFERRED TAXES

### a) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of the following items:

	2021	2020
	\$	\$
Deductible temporary differences	4,050	4,647
Tax losses	3,291	3,242
	7,341	7,889

Based on management's current estimates of future taxable earnings, the recoverability of these items is indeterminable and as such, deferred tax assets have not been recognized in respect of these amounts.

**b) TAX LOSSES CARRIED FORWARD**

Unrecognized deferred tax assets derived from tax losses expire as follows:

	2021		2020	
	Gross amount	Tax effect	Gross amount	Tax effect
	\$	\$	\$	\$
2035	27	6	27	6
2036	4,055	933	4,046	972
2037	2,286	526	2,286	549
2038	708	154	710	157
2039	2,868	651	3,188	743
2040	3,045	678	3,668	815
2041	1,560	343	-	-
	<b>14,549</b>	<b>3,291</b>	<b>13,925</b>	<b>3,242</b>

Deferred tax assets have not been recognized in respect of capital losses of \$25,052 (2020 - \$25,130). It is not probable that future taxable capital gains will be available against which the Corporation can utilize the benefits of these losses. These losses do not expire.

**14. SHAREHOLDERS' EQUITY**

**a) SHARE CAPITAL**

**AUTHORIZED**

- (i) Unlimited number of common, voting shares
- (ii) Unlimited number of preferred, non-voting shares

## 15. SHARE-BASED COMPENSATION

### a) EQUITY SETTLED SHARE-BASED COMPENSATION

The Corporation's share option plan for employees is administered by the Human Resources, Compensation & Governance Committee, which is a subcommittee of the Board of Directors. The Human Resources, Compensation & Governance Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis when combined with shares issued under the restricted share plan as described below. In addition, no more than 5% of outstanding shares may be reserved for options granted to any one person and no more than 10% of outstanding shares may be reserved for options granted to insiders. The maximum term of options granted under the plan is ten years. Per the terms of the plan, the options vest evenly over no less than a five-year vesting period. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the employee share option plan:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, January 1	1,670,000	1.51	1,985,000	1.59
Granted	75,000	0.67	10,000	0.43
Forfeited	(35,000)	0.85	(325,000)	1.97
Expired	-	-	-	-
<b>Outstanding, December 31</b>	<b>1,710,000</b>	<b>1.49</b>	<b>1,670,000</b>	<b>1.51</b>
<b>Exercisable, December 31</b>	<b>1,126,000</b>	<b>1.85</b>	<b>832,000</b>	<b>2.08</b>

Options with the following exercise price ranges were outstanding as at December 31:

Exercise price range	2021		2020	
	Options outstanding	Weighted average remaining contractual life	Options outstanding	Weighted average remaining contractual life
	#	years	#	years
< \$1	780,000	7.89	735,000	8.95
\$1 to \$2	530,000	4.91	530,000	5.99
\$2 to \$3	200,000	4.53	205,000	6.02
\$3 to \$4	200,000	3.21	200,000	4.21
	<b>1,710,000</b>	<b>6.03</b>	<b>1,670,000</b>	<b>7.08</b>

The following weighted average assumptions were used in the Black-Scholes calculations for share options granted during the years ended December 31:

		2021	2020
Share price	\$	0.67	0.43
Exercise price	\$	0.67	0.43
Expected volatility		70%	64%
Risk-free interest rate		2%	1%
Annual dividend rate		-	-
Expected life of options		7.0 years	7.0 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

The weighted average fair value of share options granted during the year, calculated under the Black-Scholes option pricing model, was \$0.51 per share option (2020 - \$0.30 per share option) and there were no options exercised during the year (2020 - no options exercised during the year).

#### b) CASH SETTLED SHARE-BASED COMPENSATION

The Corporation has a DSU plan for Directors of the Corporation who are designated as participants by the Human Resources, Compensation & Governance Committee. The DSU plan has two components: an "appointment grant" and a "continuous grant." The appointment grant is provided to each newly appointed Director. The appointment grant fully vests on the third anniversary of the grant date. The continuous grant provides for an annual issue of DSUs to eligible Directors. One-third of the continuous grant vests annually on the anniversary of the grant date. The DSUs can only be exercised on exiting from the Board of Directors.

On exiting from the Board of Directors, the DSUs are redeemed for cash based on the market price of any vested DSUs at the time of exit. The liability relating to the units accumulated under this plan has been included in trade and other payables on the consolidated statements of financial position as disclosed in note 9.

	2021	2020
	#	#
Outstanding, as at January 1	377,114	223,661
Granted	296,233	153,453
Exercised	(127,798)	-
<b>Outstanding, as at December 31</b>	<b>545,549</b>	<b>377,114</b>
<b>Vested, as at December 31</b>	<b>128,866</b>	<b>183,402</b>

The Corporation has an RSP for employees of the Corporation who are designated as participants by the Human Resources, Compensation & Governance Committee. The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis when combined with shares issued under the share option plan. In addition, no more than 5% of outstanding shares may be reserved for any one person and no more than 10% of outstanding shares may be reserved for insiders. Per the terms of the plan as amended in 2021, the shares vest in equal annual tranches over no less than a three-year total vesting period, however the term of the vesting cannot be longer than ten years.

Upon vesting, the restricted shares are redeemed for cash based on the market price of any vested restricted shares at the time of vesting. The liability relating to the shares accumulated under this plan has been included in trade and other payables on the consolidated statements of financial position as disclosed in note 9.

	2021	2020
	#	#
Outstanding, as at January 1	410,000	230,250
Granted	600,000	410,000
Forfeited	(45,000)	(58,750)
Redeemed or exercised	(422,500)	(171,500)
<b>Outstanding, as at December 31</b>	<b>542,500</b>	<b>410,000</b>
<b>Vested, as at December 31</b>	<b>-</b>	<b>-</b>

	2021	2020
	#	#
<b>years</b>		
<b>0 to 1</b>	<b>172,500</b>	<b>402,500</b>
<b>1 to 2</b>	<b>185,000</b>	<b>7,500</b>
<b>2 to 3</b>	<b>185,000</b>	<b>-</b>
	<b>542,500</b>	<b>410,000</b>

Restricted shares outstanding under the restricted share plan as at December 31, 2021 vest evenly over one year from the grant date. During the year, the Corporation issued 422,500 (2020 - 171,500) shares from treasury to generate cash proceeds for the purpose of redeeming restricted shares redeemed or exercised.

### c) SHARE-BASED COMPENSATION EXPENSE

	2021	2020
	\$	\$
Equity settled share-based compensation	122	176
Cash settled share-based compensation	470	97
	<b>592</b>	<b>273</b>

Share-based compensation expense has been included in general and administration expense in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

## 16. REVENUE

	2021	2020
	\$	\$
Sale of products, parts and consumables	28,903	34,477
Rendering of services	2,023	2,583
Rental revenue	1,870	1,614
	<b>32,796</b>	<b>38,674</b>

## 17. EXPENSES BY NATURE

	2021	2020
	\$	\$
Production costs to produce inventories and changes in inventories	13,305	16,974
Employee compensation and benefit expense	11,805	13,319
Facilities and other overheads	4,841	4,888
Depreciation and amortization	2,959	3,316
(Recovery) write-down of excess and obsolete inventory	(230)	1,786
<b>Total expenses</b>	<b>32,680</b>	<b>40,283</b>
<b>Allocated to:</b>		
Cost of sales	23,652	30,723
General and administration	5,596	5,921
Sales and marketing	1,438	1,415
Research and development	1,994	2,224
<b>Total expenses</b>	<b>32,680</b>	<b>40,283</b>

## 18. FINANCE CHARGES, NET

	2021	2020
	\$	\$
Interest on borrowings	474	638
Finance charges on lease liabilities	331	343
Amortization of deferred charges	55	123
Finance income	(17)	(94)
	<b>843</b>	<b>1,010</b>

## 19. OTHER GAINS, NET

	2021	2020
	\$	\$
Non-recurring retroactive payments to employees	421	-
Foreign exchange loss	143	315
Costs associated with strategic alternatives assessment	25	-
Non-recurring integration costs associated with business combination	-	196
Gain on lease remeasurement	-	(292)
Recovery related to previous business divestiture	-	(302)
Gain on disposal of PPE	(192)	(121)
Government assistance	(5,202)	(427)
	<b>(4,805)</b>	<b>(631)</b>

During the year ended December 31, 2021, government assistance includes \$4,799 for forgiven borrowings under the PPP and \$403 in government assistance payments under the Canadian Emergency Wage and Rent Subsidy programs. Due to receipt of second round funding under the PPP in addition to approval of first round funding forgiveness, the Corporation returned a portion of the wage rollbacks, enacted in April of 2020, equivalent to 5% of base salary, for total one-time retroactive payments of \$421.

During the year ended December 31, 2020, the Corporation received \$427 in government assistance payments under the Canadian Emergency Wage Subsidy program.

## 20. INCOME TAX EXPENSE

### a) RECONCILIATION OF INCOME TAX EXPENSE

Income tax expense varies from the amounts that would be computed by applying the domestic statutory rate of 23% (2020 – 24%) to loss before income taxes for the following reasons:

	2021	2020
	\$	\$
Earnings (loss) before income taxes	4,078	(2,166)
Computed income tax expense (recovery)	938	(520)
Tax effects of:		
Jurisdictional tax rate differences	79	(328)
Non-(taxable) deductible items	(22)	75
Benefit of previously unrecognized deferred tax assets	(1,292)	-
Temporary differences for which no deferred tax asset was recognized	297	772
Other items	-	10
<b>Income tax expense</b>	<b>-</b>	<b>9</b>

### b) INCOME TAX EXPENSE ON EARNINGS

	2021	2020
	\$	\$
Current tax expense	-	9
Deferred tax expense:		
Origination and reversal of temporary differences	995	(772)
Benefit of previously unrecognized deferred tax assets	(1,292)	-
Temporary differences for which no deferred tax asset was recognized	297	772
Total deferred tax expense	-	-
<b>Income tax expense</b>	<b>-</b>	<b>9</b>

## 21. EARNINGS (LOSS) PER SHARE

	2021			2020		
	Net earnings	Weighted average shares	Per share amount	Net loss	Weighted average shares	Per share amount
	\$	#	\$	\$	#	\$
<b>Basic earnings (loss) per share</b>						
Earnings (loss) available to common shareholders	4,078	28,013,427	0.15	(2,175)	27,702,690	(0.08)
Dilutive effect of options and restricted shares		347,547			-	
<b>Diluted earnings (loss) per share</b>						
Earnings (loss) available to common shareholders	4,078	28,360,974	0.14	(2,175)	27,702,690	(0.08)

For the year ended December 31, 2020, the Corporation excluded 1,670,000 share options and 410,000 restricted shares from the computation of diluted loss per share because they were anti-dilutive for the period presented.

## **22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

### **a) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair value of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and current provisions approximates their carrying value due to their short-term nature. The fair value of non-current other receivables approximates the carrying amount as the receivables have been recorded using the effective interest rate method using a market rate of interest. The fair value of borrowings approximates the carrying amount as the instruments carry interest rates that reflect the current market rates available to the Corporation.

### **b) FINANCIAL RISK MANAGEMENT**

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

#### **(i) MARKET RISK**

Market risk is the risk changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The Corporation may use derivatives to manage certain market risks.

- **Foreign currency risk**

The Corporation is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which revenues, purchases and monetary assets and liabilities are denominated and the respective functional currency of the Corporation's subsidiaries. Foreign currency risk is primarily with the US dollar. The Corporation may use forward exchange contracts to manage foreign currency risk.

The Corporation recognized a foreign currency exchange loss of \$143 in other gains, net (2020 - \$315). Based on the Corporation's US dollar denominated monetary assets and liabilities, at December 31, 2021, the Corporation estimates that a ten-cent change in the value of the US dollar would increase or decrease net earnings (loss) by \$63 (2020 - \$292).

- **Interest rate risk**

Interest rate risk is the risk the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2021 and 2020, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents and borrowings. The Corporation estimates that a change of 100 basis points in interest rates as at December 31, 2021 would have increased or decreased net earnings (loss) for the year ended December 31, 2021 by \$43 (2020 - \$50), arising from interest expense incurred on borrowings.

#### **(ii) CREDIT RISK**

- **Impairment of financial assets**

The Corporation's trade receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- **Trade and other receivables**

Trade receivables include balances due from customers primarily operating in the oil and gas industry. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing products or services and monitoring customer credit and balances on an ongoing basis. In some instances, the Corporation will take additional measures to reduce credit risk including obtaining letters of credit or prepayments from customers.

As at December 31, 2021, the Corporation had one customer that accounted for \$1,256 (20%) of total trade receivables (2020 - three customers accounted for \$794 (21%)).

As at December 31, trade receivables were classified as follows:

	2021	2020
	\$	\$
Fully performing	5,017	1,167
Past due but not impaired	994	2,083
Indications of impairment	265	504
<b>Trade receivables</b>	<b>6,276</b>	<b>3,754</b>

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss provision is based on the timing of the groups along with individual assessments on balances outstanding.

The credit quality of fully performing receivables is determined based on credit evaluations and management's past experience with the customers. Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. Trade receivables with indications of possible impairment primarily relate to receivables that may not be collectible. Management has applied judgment after taking into account the expected credit loss model to determine impairment provisions of \$265 (2020 - \$504) are sufficient to cover credit risk.

The aging analysis of trade receivables is as follows:

As at December 31	2021	2020
	\$	\$
0 to 30 days	4,996	1,080
31 to 60 days	468	703
61 to 120 days	563	1,118
Over 121 days	249	853
Trade receivables	6,276	3,754
Loss allowance	(265)	(504)
Trade receivables, net of loss allowance	6,011	3,250
Other receivables, current	19	360
Other receivables, non-current	39	39
<b>Total trade and other receivables</b>	<b>6,069</b>	<b>3,649</b>

The movement in the Corporation's loss allowance for trade receivables is as follows:

For the years ended	2021	2020
	\$	\$
Provisions for impairment, as at January 1	(504)	(1,004)
Allowance reversal, net recognized	203	346
Amounts written off	35	158
Foreign exchange	1	(4)
<b>Provisions for impairment, as at December 31</b>	<b>(265)</b>	<b>(504)</b>

The credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are held primarily with Canadian chartered banks and Schedule I US financial institutions.

### (iii) LIQUIDITY RISK

Liquidity risk is the risk the Corporation will not be able to meet its obligations with financial liabilities as they come due. The Corporation maintains sufficient cash and cash equivalents to meet financial obligations. Based on the remaining contractual maturities, the undiscounted cash flows for the Corporation's financial liabilities, including interest payments in effect at December 31, 2021, are as follows:

	Due in less than one year	Due between one and two years	Due between two and three years	Due beyond three years	Total
	\$	\$	\$	\$	\$
Trade and other payables	4,897	-	-	-	4,897
Borrowings	853	2,354	1,727	-	4,934
Lease liabilities	867	962	861	1,838	4,528
Onerous contract provisions	59	-	-	-	59
<b>Undiscounted cash flows for financial liabilities</b>	<b>6,676</b>	<b>3,316</b>	<b>2,588</b>	<b>1,838</b>	<b>14,418</b>
Purchase commitments for inventory and operating services	4,465	473	-	-	4,938
<b>As at December 31, 2021</b>	<b>11,141</b>	<b>3,789</b>	<b>2,588</b>	<b>1,838</b>	<b>19,356</b>
	\$	\$	\$	\$	\$
Trade and other payables	3,633	-	-	-	3,633
Borrowings	1,606	3,819	1,721	1,214	8,360
Lease liabilities	730	869	965	2,711	5,275
Onerous contract provisions	190	-	-	-	190
<b>Undiscounted cash flows for financial liabilities</b>	<b>6,159</b>	<b>4,688</b>	<b>2,686</b>	<b>3,925</b>	<b>17,458</b>
Purchase commitments for inventory and operating services	2,607	480	473	-	3,560
<b>As at December 31, 2020</b>	<b>8,766</b>	<b>5,168</b>	<b>3,159</b>	<b>3,925</b>	<b>21,018</b>

As described in note 11b, the Corporation entered into a US\$3.4 million term facility to extend maturity and support McCoy Global's 2021 and 2020 technology development program.

As described in note 11e, McCoy secured a US\$2.5 million revolving demand facility with a Canadian chartered bank to support working capital. The facility was undrawn as at December 31, 2021.

### c) CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to safeguard its assets and continue as a going concern while, at the same time, maximizing the growth of the business and return to shareholders. The Corporation views its capital as the combination of borrowings as well as shareholders' equity as follows:

	2021	2020
	\$	\$
Borrowings	4,194	7,304
Shareholders' equity	40,217	35,504
<b>Total capital</b>	<b>44,411</b>	<b>42,808</b>

The Corporation sets the amount of capital in proportion to risk and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue or repay borrowings, issue or repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

The Board of Directors reviews and approves any material transactions out of the ordinary course of business including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

## 23. RELATED PARTY TRANSACTIONS

### KEY MANAGEMENT PERSONNEL

Key management personnel includes the Directors and senior corporate officers of the Corporation who are primarily responsible for planning, directing and controlling the Corporation's business activities.

Compensation awarded to key management personnel for employee services for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
	\$	\$
Salaries and other short-term employee benefits	1,206	1,053
Share-based compensation	252	160
	<b>1,458</b>	<b>1,213</b>

## 24. SEGMENT INFORMATION

### GEOGRAPHIC INFORMATION

The Corporation's operations, as described in note 1, are viewed as a single operating segment by the Corporation's Executives for the purpose of resource allocation and assessing performance.

	2021		2020	
	Revenue	PP&E, Intangibles & Goodwill	Revenue	PP&E, Intangibles & Goodwill
	\$	\$	\$	\$
United States & Latin America	17,247	17,956	13,336	17,586
Middle East & Africa	6,069	2,107	12,692	1,341
Europe & Russia	7,110	-	7,953	-
Asia Pacific	1,453	-	4,092	-
Canada	917	591	601	842
	<b>32,796</b>	<b>20,654</b>	<b>38,674</b>	<b>19,769</b>

Revenue is attributed to a geographical region based on the location of the customer invoiced, which may not necessarily reflect the product's final destination.

During the years ended December 31, 2021 and December 31, 2020, no individual customer accounted for greater than 10% of total revenue.

## 25. CHANGES IN WORKING CAPITAL BALANCES

	2021	2020
Cash received from (used in) operating activities due to changes in non-cash working capital balances:	\$	\$
Trade and other receivables	(2,407)	5,262
Inventories	336	6,901
Other current assets	(196)	(33)
Other non-current receivables	-	286
Trade and other payables	791	(2,067)
Customer deposits	585	(1,952)
Provisions, excluding restructuring and facility remediation	(266)	(49)
	<b>(1,157)</b>	<b>8,348</b>