Consolidated Financial Statements

December 31, 2019 and 2018

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 5, 2020

Independent auditor's report

To the Shareholders of McCoy Global Inc.

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) as at December 31, 2019 and 2018, 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, 2019 and 2018;
- the consolidated statements of earnings (loss) and comprehensive 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 a summary of significant accounting policies.

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.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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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.

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.

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.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Edmonton, Alberta
March 5, 2020

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)

As at	Note	December 31, 2019	December 31, 2018
		$	$
Assets			
Current assets			
Cash and cash equivalents		**8,382**	10,947
Restricted cash	11	**500**	500
Trade and other receivables	22	**8,791**	12,029
Inventories	5	**23,031**	27,238
Prepaid expenses and deposits		**664**	719
		41,368	51,433
Other receivables		**319**	476
Property, plant and equipment	6	**9,825**	7,824
Intangible assets	7	**4,567**	9
Goodwill	26	**3,551**	-
Total assets		**59,630**	59,742
Liabilities			
Current liabilities			
Trade and other payables	9	**5,584**	9,726
Customer deposits		**3,148**	2,389
Provisions	10	**1,539**	1,901
Current lease liabilities	12	**1,097**	-
Borrowings	11	**2,533**	1,364
		13,901	15,380
Provisions	10	**58**	544
Lease liabilities	12	**2,164**	-
Borrowings	11	**5,657**	3,411
Total liabilities		**21,780**	19,335
Shareholders' equity	14		
Share capital		**59,636**	59,695
Contributed surplus		**5,384**	5,125
Accumulated other comprehensive income		**7,552**	10,542
Accumulated deficit		**(34,722)**	(34,955)
Total shareholders' equity		**37,850**	40,407
Total liabilities and shareholders' equity		**59,630**	59,742

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 LOSS

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

For the years ended	Note	December 31, 2019	December 31, 2018
		$	$
Revenue	16	**53,392**	49,076
Cost of sales		**37,064**	36,390
Gross profit		**16,328**	12,686
General and administration		**8,938**	8,434
Sales and marketing		**2,221**	2,688
Research and development		**3,384**	3,003
Finance charges, net	18	**664**	292
Other losses (gains), net	19	**888**	(165)
Restructuring charges	10	**-**	1,004
Impairment charges	7	**-**	902
		16,095	16,158
Earnings (loss) before income taxes		**233**	(3,472)
Income tax expense (recovery)	20		
Current		**-**	(240)
Deferred		**-**	559
		-	319
Net earnings (loss)		**233**	(3,791)
Other comprehensive (loss) gain			
Translation (loss) gain of foreign operations		**(2,990)**	3,164
Comprehensive loss		**(2,757)**	(627)
Earnings (loss) per share	21		
Basic from net earnings (loss)		**0.01**	(0.14)
Diluted from net earnings (loss)		**0.01**	(0.14)

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 Number of shares	 Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
		#	$	$	$	$	$
Balances at January 1, 2018		27,684,239	60,126	4,866	7,378	(31,164)	41,206
Net loss		-	-	-	-	(3,791)	(3,791)
Translation gain on foreign operations		-	-	-	3,164	-	3,164
Employee share-based compensation expense		-	-	93	-	-	93
Repurchase of shares	14	(198,300)	(431)	166	-	-	(265)
Balances at December 31, 2018		27,485,939	59,695	5,125	10,542	(34,955)	40,407
Net earnings		**-**	**-**	**-**	**-**	**233**	**233**
Translation loss on foreign operations		**-**	**-**	**-**	**(2,990)**	**-**	**(2,990)**
Employee share-based compensation expense		**-**	**-**	**142**	**-**	**-**	**142**
Issuance of common shares under restricted shares	15	**230,250**	**126**	**-**	**-**	**-**	**126**
Repurchase of shares	14	**(85,200)**	**(185)**	**117**	**-**	**-**	**(68)**
Balances at December 31, 2019		**27,630,989**	**59,636**	**5,384**	**7,552**	**(34,722)**	**37,850**

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, 2019	December 31, 2018
Cash generated from (used in)		**$**	$
Operating activities			
Net earnings (loss)		**233**	(3,791)
Adjustments for:			
Depreciation of property, plant and equipment	6	**2,729**	2,573
Amortization of intangible assets	7	**155**	585
Income tax expense		**-**	319
Finance charges, net		**664**	292
Share-based compensation expense	15	**189**	203
Impairment charges	7	**-**	902
Changes in non-cash working capital balances	25	**4,159**	(5,985)
Change in restructuring and facility remediation provisions	10	**(388)**	(1,385)
Income taxes recovered		**-**	1,721
Finance costs paid, net		**(669)**	(260)
Gain on disposal of property, plant and equipment		**(154)**	(170)
Net cash generated from (used in) operating activities		**6,918**	(4,996)
Investing activities			
Purchases of property, plant and equipment		**(1,418)**	(1,003)
Proceeds from sale of property, plant and equipment		**380**	231
Additions to intangible assets		**(2,202)**	(198)
Business combination, net	26	**(5,823)**	-
Net cash used in investing activities		**(9,063)**	(970)
Financing activities			
Repayment of borrowings	11	**(1,317)**	(5,585)
Proceeds from borrowings	11	**3,161**	5,147
Repurchase of common shares	14	**(68)**	(265)
Proceeds from issuance of common shares under restricted share plan		**126**	-
Principal elements of lease payments		**(941)**	-
Funds transferred from restricted cash		**-**	2,000
Net cash generated from financing activities		**961**	1,297
Effect of exchange rate changes on cash and cash equivalents		**(1,381)**	644
Decrease in cash and cash equivalents		**(2,565)**	(4,025)
Cash and cash equivalents – beginning of the year		**10,947**	14,972
Cash and cash equivalents – end of the year		**8,382**	10,947

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(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 technologies designed to support 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:

i. design, production and distribution of capital equipment to support wellbore integrity and to support capital equipment sales through aftermarket products and services such as technical support, consumables and replacement parts;

ii. 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;

iii. repair, maintenance and calibration of the Corporation's capital equipment and similar competitor products; and

iv. rental of the Corporation's 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 5, 2020.

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 earnings (loss) and comprehensive loss are presented using the function classification for expenditures.

b) Changes in accounting policies

The following standard came into effect on January 1, 2019.

IFRS 16, Leases

The Corporation adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for 2018 as permitted by the transitional provisions of the standard. The reclassifications and adjustments arising from adoption are recognized in the opening statement of financial position on January 1, 2019. The Corporation reviewed all the current and new leases and recognized them on the statement of financial position, as the distinction between operating and finance leases under the principles of International Accounting Standard ("IAS") 17 is removed for leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay contractual amounts are recognized.

The adoption of IFRS 16 has impacted the consolidated statements of earnings (loss) and comprehensive loss by replacing operating expenses with finance cost and depreciation. Key metrics like EBITDA will also be impacted from the change in accounts. Operating cash flows were higher as cash payments for the principal portion of the lease liability were classified within financing activities. The impact of adoption is further disclosed in note 12.

The Corporation leases several properties with a range of terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

c) 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 loss.

d) 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(h) 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 and onerous contracts. 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(n) 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(p) 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(p) 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 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(m). 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 as reported under IFRS 16

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.

(vii) Business combinations

The Corporation applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are used to calculate and measure such adjustments. In measuring the fair value of the acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill.

e) 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.

f) 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 lease 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.

g) 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.

h) 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 finished goods.

i) 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 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.

j) 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 expenditure 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.

k) 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(m).

l) Business combinations

Acquisitions of businesses and subsidiaries that meet the definition of a business are accounted for using the acquisition method. The consideration of the acquisition is measured as that fair value of the identifiable assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition in exchange for control of the acquired business. Acquisition-related costs are recognized in earnings or loss as incurred, other than those associated with the issue of debt or equity securities.

m) 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 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. 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.

n) 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.

o) Leases

(i) Accounting policies under IAS 17

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 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 are classified as finance leases. The leased assets are recognized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost 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. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(ii) Accounting policies under IFRS 16

The Corporation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.

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. This policy is applied to contracts entered into on or after January 1, 2019.

The Corporation has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Corporation relied on its assessment made applying IAS 17, Leases, and International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining whether an arrangement contains a lease.

- **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.

Generally, the accounting policies applicable to the Corporation as a lessor in the comparative period were not different from IFRS 16 for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

p) 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.

q) 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.

r) SHARE CAPITAL

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

s) 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.

t) 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.

(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.

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 other 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

	2019	2018
	$	$
Raw materials	**1,706**	1,609
Work-in-progress	**1,890**	2,217
Parts to be used in production	**8,994**	13,947
Production inventory	**12,590**	17,773
Finished goods available for sale	**10,441**	9,465
	23,031	27,238

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

Included in cost of sales for the year ended December 31, 2019 is a net recovery of $506 (2018 – net recovery of $1,717) to adjust inventories to net realizable value.

Inventory writedowns relating to the Corporation's restructuring plan, as described in note 10(c), amounted to $nil (2018 – $146) and are included in restructuring charges.

The net realizable value of capital equipment and related accessories included in inventories was assessed on an individual product basis. Judgment was used in assessing the net realizable value of each item of capital equipment, including accessories. All other items in inventory were assessed for obsolescence at a distinct part level. A writedown is taken if management determines that the carrying value of the inventory items exceeds the net recoverable value. The estimated net recoverable value is determined using a formulaic approach taking into account historical movement of the distinct parts and other factors. 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. Clear evidence of an increase in net realizable value includes, but is not limited to, increased sales or usage in production at a distinct part level. The maximum amount of any reversal is the original writedown, such that the new carrying amount is the lower of cost and the revised net realizable value.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Buildings	Machinery and office equipment	Rental equipment	Computer equipment	Right-of-use assets	Leasehold improvements	Total
		$	$	$	$	$	$	$	$
Cost									
At January 1, 2018		1,282	3,212	10,067	3,260	613	-	3,936	22,370
Additions		-	-	63	940	-	-	-	1,003
Transfers to inventory		-	-	-	(520)	-	-	-	(520)
Disposals		-	-	(1,500)	(187)	(149)	-	(2,447)	(4,283)
Foreign exchange		115	288	946	211	98	-	118	1,776
At December 31, 2018		1,397	3,500	9,576	3,704	562	-	1,607	20,346
IFRS 16 transitional impact	12	**-**	**-**	**-**	**-**	**-**	**3,800**	**-**	**3,800**
Business combination	26	**-**	**-**	**246**	**-**	**-**	**-**	**-**	**246**
Additions		**-**	**-**	**92**	**1,041**	**11**	**-**	**274**	**1,418**
Disposals		**-**	**-**	**(272)**	**(282)**	**-**	**(56)**	**-**	**(610)**
Foreign exchange		**(67)**	**(168)**	**(482)**	**(186)**	**(5)**	**(129)**	**(77)**	**(1,114)**
At December 31, 2019		**1,330**	**3,332**	**9,160**	**4,277**	**568**	**3,615**	**1,804**	**24,086**
Accumulated depreciation									
At January 1, 2018		-	203	7,967	843	535	-	3,780	13,328
Depreciation		-	238	668	1,602	37	-	28	2,573
Transfers to inventory		-	-	-	(227)	-	-	-	(227)
Disposals		-	-	(1,443)	(183)	(149)	-	(2,447)	(4,222)
Foreign exchange		-	31	704	158	74	-	103	1,070
At December 31, 2018		-	472	7,896	2,193	497	-	1,464	12,522
Depreciation		**-**	**231**	**681**	**797**	**25**	**935**	**60**	**2,729**
Disposals		**-**	**-**	**(217)**	**(142)**	**-**	**(25)**	**-**	**(384)**
Foreign exchange		**-**	**(25)**	**(384)**	**(113)**	**(5)**	**(9)**	**(70)**	**(606)**
December 31, 2019		**-**	**678**	**7,976**	**2,735**	**517**	**901**	**1,454**	**14,261**
Carrying amount									
At December 31, 2018		1,397	3,028	1,680	1,511	65	-	143	7,824
At December 31, 2019		**1,330**	**2,654**	**1,184**	**1,542**	**51**	**2,714**	**350**	**9,825**

During the year ended December 31, 2019, depreciation included in cost of sales amounted to $2,565 (2018 – $2,573) and depreciation in general and administration amounted to $164 (2018 – $nil).

Additions to rental fleet during 2019 and 2018 are comprised of equipment capitalized from inventory.

During the year ended December 31, 2018, based on additional experience gained with the Corporation's rental fleet, the useful lives of certain assets in the fleet were revised from 6 – 10 years to 2 – 4 years. This resulted in an additional depreciation expense of $218 for the year ended December 31, 2019 (2018 – $1,114).

7. INTANGIBLE ASSETS

	Note	Internally generated intellectual property	Acquired intellectual property	Software and internally generated software	Total
		$	$	$	$
Cost					
At January 1, 2018		1,018	-	2,848	3,866
Additions		192	-	6	198
Retirements		(902)	-	(59)	(961)
Foreign exchange		11	-	1	12
At December 31, 2018		319	-	2,796	3,115
Additions		**2,194**	**-**	**8**	**2,202**
Business combination	26	**-**	**2,596**	**-**	**2,596**
Foreign exchange		**(34)**	**(59)**	**(2)**	**(95)**
At December 31, 2019		**2,479**	**2,537**	**2,802**	**7,818**
Accumulated amortization					
At January 1, 2018		319	-	2,257	2,576
Amortization		-	-	585	585
Retirements		(902)	-	(59)	(961)
Impairment		902	-	-	902
Foreign exchange		-	-	4	4
At December 31, 2018		319	-	2,787	3,106
Amortization		**57**	**93**	**5**	**155**
Foreign exchange		**(7)**	**(2)**	**(1)**	**(10)**
At December 31, 2019		**369**	**91**	**2,791**	**3,251**
Carrying amounts					
At December 31, 2018		-	-	9	9
At December 31, 2019		**2,110**	**2,446**	**11**	**4,567**

During the year ended December 31, 2019, amortization included in cost of sales amounted to $150 (2018 – $nil) and amortization in general and administration amounted to $5 (2018 – $585).

During the year ended December 31, 2018, management determined that the future economic benefits expected from the use of certain internally generated intellectual property were uncertain and no longer aligned with its strategic initiatives. As a result, an impairment amounted to $902 recognized in 2018.

The cost and accumulated amortization of assets with no remaining economic lives were retired when determined.

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

	2019	2018
Internally generated intellectual property	3 – 5 years	1 – 2 years
Acquired intellectual property	7 years	-
Software	1 year	1 – 2 years

8. Impairment of 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 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 a pre-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 or loss for the amount by which the asset 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. 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 amortization, if no impairment loss had been recognized.

The Corporation reviews the carrying value of its non-financial assets at each reporting period for indicators of impairment. During the year ended December 31, 2019, the Corporation determined that the decline in drilling activity levels in the North American land market was an indicator of impairment and performed an assessment of the carrying values of non-financial assets. The recoverable amounts of non-financial assets were estimated based on their value in use, determined by discounting estimated future cash flows expected to be generated by the assets or CGU to which it was assigned.

Key assumptions used in the estimation of value in use included the after-tax discount rate of 17% and management expectation of future outcomes and market conditions, including forecasted North American and international rig and well counts. Based on industry forecasts and other factors, average projected annual revenue growth over the next five years was estimated at 11% per annum. Discount rates were derived from the Corporation's estimated weighted average cost of capital.

The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relating to the Corporation. The process for determining recoverable amounts is subjective and requires management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications.

Upon completion of the impairment assessment, it was determined that no impairment was to be recognized on the Corporation's non-financial assets. No significant changes in any of the key assumptions would have resulted in an impairment charge.

9. Trade and Other Payables

	Note	**2019**	2018
		$	$
Trade payables		**4,207**	7,803
Accrued liabilities and other payables		**1,180**	1,646
Cash settled share-based compensation	14(b)	**197**	277
		5,584	9,726

10. Provisions

	Note	Warranty	Legal	Restructuring	Facility remediation	Total
		$	$	$	$	$
At January 1, 2018		617	303	2,060	1,049	4,029
Provisions made during the year		474	106	1,004	-	1,584
Provisions utilized during the year		(472)	(263)	(2,401)	(55)	(3,191)
Change in estimate		-	(146)	-	-	(146)
Foreign exchange		102	-	67	-	169
At December 31, 2018		**721**	**-**	**730**	**994**	**2,445**
Transitional impact of IFRS 16	12	**-**	**-**	**(582)**	**-**	**(582)**
Provisions made during the year		**229**	**147**	**-**	**614**	**990**
Provisions utilized during the year		**(304)**	**(25)**	**(51)**	**(951)**	**(1,331)**
Business combination	26	**126**	**-**	**-**	**-**	**126**
Foreign exchange		**(51)**	**-**	**-**	**-**	**(51)**
At December 31, 2019		**721**	**122**	**97**	**657**	**1,597**
Expected to be utilized within one year		721	122	39	657	1,539
Expected to be utilized thereafter		-	-	58	-	58

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

During the year ended December 31, 2018, McCoy completed its strategic initiative to deliver significant operational efficiencies and re-align the Corporation's cost structure to a lower revenue environment by:

i. transitioning McCoy's production facility in Edmonton, Alberta to Broussard, Louisiana. This resulted in the closure of operations in Edmonton and the ramp up of production capabilities in Broussard. Canadian customers continue to be supported through a service and rental facility in Edmonton; and

ii. consolidating McCoy's Eastern Hemisphere operations to the United Arab Emirates. McCoy continues to support the European and Asia Pacific regions with a lower cost structure model.

Onerous lease provisions have been deducted from the right-of-use asset on adoption of IFRS 16 in line with the allowable practical expedient (note 12).

d) Facility remediation

The Corporation leases premises, which are required to be returned to the landlord at the end of the lease in accordance with the terms of the lease agreement, including remediation of any deficiencies incurred as a result of carrying out business activities. In addition, as part of a prior business divestiture, the Corporation has indemnified the purchaser with respect to a leased premise associated with the divestiture. The facility remediation provision is based on management's estimate of the expected costs of restoring its locations or former locations to a condition that is in accordance with lease terms. When available, costs are estimated based on management's assessment of third party quotations to complete the required remediation efforts. If third party quotations are not available, management has used the best information available to assess the future costs to be incurred by the Corporation. Judgment related to these future costs is based on uncertainty regarding the full extent of the required costs to complete.

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 Credit Facility	Senior Secured Term Loan	Secured Promissory	Unsecured Promissory	Total
	Note	11(a)	11(b)	11(c)	11(d)	
		$	$	$	$	$
Balances at January 1, 2018		4,930	-	-	-	4,930
Repayment of borrowings		(4,930)	-	-	-	(4,930)
Proceeds of borrowings		-	5,209	-	-	5,209
Deferred financing charges		-	(62)	-	-	(62)
Scheduled repayments		-	(655)	-	-	(655)
Foreign exchange adjustment		-	283	-	-	283
Balances at December 31, 2018		-	4,775	-	-	4,775
Proceeds of borrowings		-	-	3,161	-	3,161
Business combination	26	-	-	-	1,994	1,994
Deferred financing charges		-	-	(100)	-	(100)
Scheduled repayments		-	(1,317)	-	-	(1,317)
Amortization of deferred financing charges		-	16	12	-	28
Foreign exchange adjustment		-	(263)	(42)	(46)	(351)
Balances at December 31, 2019		**-**	**3,211**	**3,031**	**1,948**	**8,190**
Current portion		-	1,234	-	1,299	2,533
Non-current portion		-	1,977	3,031	649	5,657

Scheduled principal repayments under the borrowing arrangements calculated using foreign exchange rates in effect at December 31, 2019 are as follows:

	Senior Secured Term Loan	Secured Promissory Note	Unsecured Promissory Note	Total
	$	$	$	$
2020	1,299	-	1,299	**2,598**
2021	1,299	3,117	649	**5,065**
2022	649	-	-	**649**
Total	3,247	3,117	1,948	**8,312**

a) SENIOR SECURED CREDIT FACILITY

During the year ended December 31, 2018, the Corporation repaid all outstanding borrowings under the credit facility that was in place at December 31, 2017 and subsequently cancelled the facility. This resulted in a repayment of $4,930. Prior to the repayment, the Creditor required $2,500 to be held as security, which was presented as restricted cash on the statements of financial position. Subsequent to the repayment, the Corporation entered into a $500 credit facility to support cash management. The credit facility is secured by $500 in cash and cash equivalents, which is to be held under the Creditor's authority as security. The $500 of cash and cash equivalents held as collateral is presented as restricted cash on the consolidated statements of financial position.

b) SENIOR SECURED TERM LOAN

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. As at December 31, 2019, the applicable rate was 7.80% (December 31, 2018 – 7.82%). Under the term loan agreement, the Corporation's wholly owned subsidiary, McCoy Global USA, Inc., provided a general security agreement over all present and after acquired personal property and the Corporation provided a guarantee. There are no financial covenants associated with the term loan agreement. The Corporation is subject to certain conditions under the term loan agreement, including a material adverse change clause.

c) SECURED PROMISSORY NOTE

During the year ended December 31, 2019, the Corporation entered into an US denominated loan agreement for $3,177 (USD$2.4 million) secured by certain of its US real estate assets. The loan is repayable on or before October 1, 2021; however, the facility may be repaid at any time without penalty. As at December 31, 2019, the carrying amount of land and building pledged as security is $3,984. The loan interest is due and payable on the first of every consecutive calendar month. Interest is calculated at the US Prime Rate plus 7.00%, but in no event to be less than 12.25%. As at December 31, 2019, the applicable rate was 12.25%. Under the terms of the loan agreement, the Corporation's wholly owned subsidiary, McCoy Global USA, Inc., is subject to a financial covenant minimum debt coverage ratio of 1.1:1. As at December 31, 2019, McCoy Global USA, Inc, was in compliance with the financial covenant. The Corporation incurred transaction costs of $100 in connection with securing the loan, for net proceeds of $3,077.

d) UNSECURED PROMISSORY NOTE

In connection with the acquisition of DrawWorks LP (note 23), the Corporation entered into an US denominated promissory note for $1,994 (USD$1.5 million). The note is repayable in equal quarterly payments of principal, plus interest over eighteen months. The promissory note bears interest at 5.25%.

12. LEASES

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to contractual lease payments. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.00% and 7.82% for the Canadian and U.S. leases, respectively.

	Transitional impact
	$
Operating lease commitments disclosed as at December 31, 2018	5,337
Discounted using the lessee's incremental borrowing rate at date of initial application	(677)
Less: short-term leases recognized on a straight-line basis as expense	(168)
Less: other commitments previously disclosed	(110)
Lease liability recognized as at January 1, 2019	**4,382**
Current	968
Non-current	3,414

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position as at December 31, 2018. Onerous lease contracts recorded as at December 31, 2018 resulted in an adjustment to the right-of-use assets at the date of initial application.

The impact of adopting IFRS 16 as at January 1, 2019 is as follows:

	Right-of-use assets	Provisions	Lease liabilities
	$	$	$
Balance as at December 31, 2018	-	2,445	-
Transitional impact of IFRS 16	**3,800**	**(582)**	**4,382**
Balance as at January 1, 2019	**3,800**	**1,863**	**4,382**

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

i. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
ii. reliance on previous assessments on whether leases are onerous;
iii. the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
iv. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

13. Deferred Taxes

a) Unrecognized deferred tax assets

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

	2019	2018
	$	$
Deductible temporary differences	**4,599**	4,428
Tax losses	**3,176**	4,103
	7,775	8,531

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:

	2019		2018	
	Gross amount	Tax effect	Gross amount	Tax effect
	$	$	$	$
2036	**4,111**	**1,111**	4,093	1,105
2037	**2,286**	**617**	2,286	617
2038	**723**	**170**	785	183
2039	**6,057**	**1,278**	-	-
Indefinite	**-**	**-**	12,086	2,198
	13,177	**3,176**	19,250	4,103

Deferred tax assets have not been recognized in respect of capital losses of $23,845 (2018 – $22,697). 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

b) Repurchase of common shares

During the year ended December 31, 2018, the Corporation announced a normal course issuer bid ("NCIB"). Under the NCIB, the Corporation was permitted to purchase, for cancellation, up to a maximum of 1,379,041 common shares, equal to five percent of the public float of 27,580,839 common shares as at May 23, 2018. The Corporation was also limited under the NCIB to purchasing no more than 2,241 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB continued until May 19, 2019. All shares purchased under the NCIB were cancelled.

On May 31, 2019, the Corporation announced the renewal of its NCIB. Under the current NCIB, the Corporation may purchase, for cancellation, up to a maximum of 1,371,422 common shares, equal to five percent of the public float of 27,428,439 common shares as at May 23, 2019. The Corporation is also limited under the NCIB to purchasing no more than 1,910 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until June 4, 2020. Purchases will be made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

Transactions under the NCIB were as follows:

		2019	2018
Shares repurchased		**85,200**	198,300
Weighted average cost	$	**0.80**	1.34
Total cost	$	**68**	265

Total cost includes share repurchase amount and costs to implement the NCIB.

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 and the vesting period of option grants is at the discretion of the Board of Directors. The options vest evenly over the 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:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, January 1	**1,355,000**	**2.57**	2,435,000	3.54
Granted	**775,000**	**0.65**	150,000	1.10
Forfeited	**(5,000)**	**2.05**	(1,000,000)	3.75
Expired	**(140,000)**	**5.86**	(230,000)	6.70
Outstanding, December 31	**1,985,000**	**1.59**	1,355,000	2.57
Exercisable, December 31	**664,000**	**2.41**	563,000	3.36

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

	2019		2018	
Exercise price range	**Options outstanding**	**Weighted average remaining contractual life**	Options outstanding	Weighted average remaining contractual life
	#	**years**	#	years
< $2	**1,425,000**	**9.54**	650,000	7.84
$2 to $4	**560,000**	**7.20**	565,000	7.20
$4 to $6	**-**	**-**	100,000	0.74
> $6	**-**	**-**	40,000	0.19
	1,985,000	**8.88**	1,355,000	6.83

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

		2019	2018
Share price	$	**0.65**	1.10
Exercise price	$	**0.65**	1.10
Expected volatility		**58%**	48%
Risk-free interest rate		**2%**	1%
Annual dividend rate		**-**	-
Expected life of options in years		**7.0 years**	5.0 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 $0.44 per share option (2018 – $0.47 per share option) and there were 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.

	2019	2018
	#	#
Outstanding, as at January 1	**176,785**	151,150
Granted	**46,876**	25,635
Outstanding, as at December 31	**223,661**	176,785
Vested, as at December 31	**152,009**	130,689

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. The vesting arrangements under the plan are at the discretion of the Board of Directors, 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.

	2019	2018
	#	#
Outstanding, as at January 1	**492,000**	-
Granted	**-**	492,000
Forfeited	**(31,500)**	-
Redeemed or exercised	**(230,250)**	-
Outstanding, as at December 31	**230,250**	492,000
Vested, as at December 31	**-**	-

Restricted shares issued under the restricted share plan vest evenly over two years from the grant date. During the year, the Corporation issued 230,250 shares from treasury to generate cash proceeds for the purpose of redeeming restricted shares redeemed or exercised.

c) SHARE-BASED COMPENSATION EXPENSE

	2019	2018
	$	$
Equity settled share-based compensation	**142**	93
Cash settled share-based compensation	**47**	110
	189	203

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

16. REVENUE

	2019	2018
	$	$
Sale of products, parts and consumables	**46,997**	43,050
Rendering of services	**4,178**	3,907
Rental	**2,217**	2,119
	53,392	49,076

17. Expenses by Nature

	2019	2018
	$	$
Production costs to produce inventories and changes in inventories	**24,955**	28,958
Employee compensation and benefit expense	**16,850**	13,299
Facilities and other	**7,424**	6,817
Depreciation and amortization	**2,884**	3,158
Recovery of excess and obsolete inventory provisions	**(506)**	(1,717)
Total expenses	**51,607**	50,515
Allocated to:		
Cost of sales	**37,064**	36,390
General and administration	**8,938**	8,434
Sales and marketing	**2,221**	2,688
Research and development	**3,384**	3,003
Total expenses	**51,607**	50,515

18. Finance Charges

	2019	2018
	$	$
Interest on borrowings	**432**	283
Amortization of deferred charges	**87**	10
Finance income	**(142)**	(1)
Finance charges on lease liabilities	**287**	-
	664	292

19. Other Losses (Gains)

	2019	2018
	$	$
Provisions related to previous business divestiture	**576**	53
Foreign exchange loss (gain)	**226**	(48)
Non-recurring integration costs associated with business combination	**240**	-
Gain on disposal of PPE	**(154)**	(170)
	888	(165)

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 27% (2018 – 27%) to loss before income taxes for the following reasons:

	2019	2018
	$	$
Earnings (loss) before income taxes	**233**	(3,472)
Computed income tax expense (recovery)	**63**	(937)
Tax effects of:		
Jurisdictional tax rate differences	**(1,204)**	(1,434)
(Non-taxable) non-deductible items	**214**	(4,555)
Tax losses for which no deferred tax asset was recognized	**927**	6,839
Other items	**-**	406
Income tax expense	**-**	319

b) Income tax expense on earnings

	2019	2018
	$	$
Current tax recovery	**-**	(240)
Deferred tax recovery:		
Origination and reversal of temporary differences	**(841)**	(6,280)
Tax losses for which no deferred tax asset was recognized	**841**	6,839
Total deferred tax expense	**-**	559
Income tax expense	**-**	319

21. Earnings (Loss) per Share

	2019			2018		
	Net earnings	Weighted average shares	Per share amount	Net loss	Weighted average shares	Per share amount
	$	#	$	$	#	$
Basic earnings (loss) per share						
Earnings (loss) available to common shareholders	**233**	**27,517,369**	**0.01**	(3,791)	27,485,939	(0.14)
Dilutive effect of options and restricted shares		**397,933**			-	
Diluted earnings (loss) per share						
Earnings (loss) available to common shareholders	**233**	**27,915,302**	**0.01**	(3,791)	27,485,939	(0.14)

For the year ended December 31, 2019, the Corporation has excluded 1,985,000 share options from the computation of diluted earnings (loss) per share.

For the year ended December 31, 2018, the Corporation has excluded 1,355,000 share options and 492,000 restricted shares from the computation of diluted loss per share because they are 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, 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 $226 in other losses (gains), net (2018 – gain of $48). Based on the Corporation's US dollar denominated monetary assets and liabilities, at December 31, 2019, the Corporation estimates that a ten-cent change in the value of the US dollar would increase or decrease net earnings by $448 (2018 – $203).

- **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 2019 and 2018, 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 the interest rate as at December 31, 2018 would have increased or decreased net earnings for the year ended December 31, 2019 by $64 (2018 – $122), 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, 2019, the Corporation had four customers that accounted for $10,411 (20%) of total trade receivables (2018 – four customers accounted for $3,207 (28%)).

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

	2019	2018
	$	$
Fully performing	**3,143**	4,911
Past due but not impaired	**4,203**	5,764
Indications of impairment	**1,004**	555
Trade receivables	**8,350**	11,230

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 $1,004 (2018 – $555) are sufficient to cover credit risk.

The aging analysis of trade receivables is as follows:

As at December 31	2019	2018
	$	**$**
0 to 30 days	**3,119**	2,913
31 to 60 days	**1,835**	2,030
61 to 120 days	**1,437**	3,399
Over 121 days	**1,959**	2,888
Trade receivables	**8,350**	11,230
Loss allowance	**(1,004)**	(555)
Trade receivables, net of loss allowance	**7,346**	10,675
Other receivables	**1,445**	1,354
Total trade and other receivables	**8,791**	12,029

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

For the years ended	2019	2018
	$	$
Provisions for impairment, as at January 1	**(555)**	(757)
Allowance reversal, net or impairment loss recognized	**(737)**	170
Amounts written off	**157**	81
Change in estimate	**78**	-
Foreign exchange	**53**	(49)
Provisions for impairment, as at December 31	**(1,004)**	(555)

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, are as follows:

	Due in less than one year	Due between one and five years	Total
	$	$	**$**
Trade and other payables	5,584	-	**5,584**
Borrowings	3,247	6,154	**9,401**
Lease liabilities	1,287	2,343	**3,630**
Onerous lease provisions	97	-	**97**
Undiscounted cash flows for financial liabilities	**10,215**	**8,497**	**18,712**
Purchase commitments for inventory and operating services	2,006	1,247	**3,253**
As at December 31, 2019	**12,221**	**9,744**	**21,965**
	$	$	$
Trade and other payables	9,726	-	9,726
Borrowings	1,680	3,736	5,416
Onerous lease provisions	186	544	730
Undiscounted cash flows for financial liabilities	11,592	4,280	15,872
Purchase commitments for inventory and operating services	4,335	-	4,335
As at December 31, 2018	15,927	4,280	20,207

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:

	2019	2018
	$	$
Borrowings	**8,190**	4,775
Shareholders' equity	**37,850**	40,407
Total capital	**46,040**	45,182

The Corporation sets the amount of capital in proportion to risk and manages 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

a) Divestiture of Coatings & Hydraulics division

On September 15, 2014, the Corporation divested its Coatings & Hydraulics division. The Corporation has entered into agreements indemnifying the purchaser with respect to certain leased premises associated with the Coatings & Hydraulics division. These remediation cost estimates are included in facility remediation provisions, as disclosed in note 10(d). A member of the Corporation's Board of Directors is the Chairman of, and holds an equity interest in, the purchaser of the Coatings & Hydraulics division.

b) 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, 2019 and 2018 is as follows:

	2019	2018
	$	$
Salaries and other short-term employee benefits	**1,143**	1,474
Share-based compensation	**117**	8
	1,260	1,482
Number of full-time equivalent senior corporate officers	**3.4**	3.9
Number of members of the Board of Directors	**4.0**	4.0

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.

	2019		2018	
	Revenue	**PP&E & intangible assets**	Revenue	PP&E & intangible assets
	$	**$**	$	$
United States & Latin America	**23,976**	**12,403**	27,074	6,901
Middle East & Africa	**13,845**	**896**	9,293	833
Europe & Russia	**9,995**	**-**	7,028	-
Asia Pacific	**3,213**	**-**	3,506	-
Canada	**2,363**	**1,094**	2,175	99
	53,392	**14,393**	49,076	7,833

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, 2019 and December 31, 2018, no individual customer accounted for greater than 10% of total revenue.

25. CHANGES IN WORKING CAPITAL BALANCES

	2019	2018
Cash received from (used in) operating activities due to changes in non-cash working capital balances:	$	$
Trade and other receivables	**3,092**	(2,889)
Inventories	**4,993**	(6,260)
Other current assets	**41**	70
Other non-current receivables	**142**	(462)
Trade and other payables	**(4,621)**	3,401
Customer deposits	**546**	531
Provisions, excluding restructuring and facility remediation	**(34)**	(376)
	4,159	(5,985)

Additions to rental fleet during 2019 and 2018 were comprised of equipment capitalized from inventory.

26. BUSINESS COMBINATION

Effective October 2, 2019, the Corporation acquired all of the issued and outstanding partnership units of DrawWorks LP ("DrawWorks". DrawWorks designs, tests and sells tubular running technologies including a patented line of mud handling equipment, which includes the Autofill™ Casing Equipment, AutoValve™, MudSaver valves and Single Joint Compensator (SJC™) System. DrawWorks' most recent development – the DWCRT™ – is a modular mechanically operated casing running tool.

The Corporation applies the acquisition method to account for business combinations. The measurement of acquired assets and assumed liabilities is based on information available to the Corporation on the acquisition date. The estimate of fair value of acquired assets and assumed liabilities requires significant judgment, which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition. The acquired assets and assumed liabilities are recognized at fair value on the date the Corporation obtains control in a business combination. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Key assumptions used in estimating the fair value of intangible assets acquired using a royalty relief model included management expectations of future outcomes and market conditions, including forecasted North American and international rig and well counts. Based on industry forecasts and other factors, average projected annual revenue growth over the next five years was estimated at 11.0% per annum. Royalty rates used in the model were based on industry data.

The weighted average growth rates used are consistent with forecasts included in industry reports. The royalty rates used in the model were calculated on an after-tax basis. The process for determining estimated fair value amounts are subjective and required management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications.

The aggregate consideration given and fair values of net assets acquired in the acquisition of DrawWorks are as follows:

	October 2, 2019
	$
Consideration transferred:	
Cash transferred	7,851
Cash acquired	(2,028)
Promissory note	1,994
Total consideration	7,817
Identifiable assets acquired:	
Trade and other receivables	394
Inventories	2,070
Property, plant and equipment	246
Intangible assets	2,596
Goodwill	3,634
Identifiable liabilities assumed:	
Trade and other payables	654
Warranty provision	126
Customer deposits	343
Total net identifiable assets	7,817

The Corporation incurred due diligence and closing costs of $137 to complete the acquisition, and were included in total consideration transferred.

Goodwill is primarily attributable to the value created by integrating DrawWorks with McCoy's operations. Goodwill is expected to be deductible for tax purposes.

The Corporation took steps to integrate DrawWorks with the Corporation's consolidated operating results and, therefore, revenue and net earnings are not reported on a stand-alone basis. All amounts above are considered provisional and are subject to revision based on finalization of valuation procedures.